APPENDIX 4E
GOODMAN GROUP
(comprising Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited)
RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2015

The Appendix 4E should be read in conjunction with the Directors' report and Consolidated financial statements of Goodman Limited for the year ended 30 June 2015. The information included in the Appendix 4E and the Consolidated financial report for the year ended 30 June 2015 comprises all the information required by ASX Listing Rule 4.3A. The Appendix 4E is based on the Consolidated financial statements which have been audited by KPMG.

Highlights of results	30 Jun 2015	30 Jun 2014	Change	
Revenue and other income ($M)	2,356.6	1,679.0	**up**	40.4%
Operating profit (before specific non-cash and other significant items) attributable to Securityholders ($M)	653.5	601.1	**up**	8.7%
Profit (statutory) attributable to Securityholders ($M)	1,208.0	657.3	**up**	83.8%
Total comprehensive income (statutory) attributable to Securityholders ($M)	1,408.0	776.0	**up**	81.4%
Diluted operating profit per security (cents)	37.2	34.8	**up**	7.1%
Dividends and distributions				
Interim dividends and distributions per GMG security (cents)	11.10	10.35	**up**	7.2%
Final dividends and distributions proposed per GMG security (cents)	11.10	10.35	**up**	7.2%
	22.20	20.70	**up**	7.2%
Interim dividends and distributions paid ($M)	193.7	177.9	**up**	8.9%
Final dividends and distributions proposed ($M)	194.6	178.8	**up**	8.8%
	388.3	356.7	**up**	8.9%
Franked amount per security/share (cents)	-	-	-	-
Conduit foreign income	-	-	-	-
Record date for determining entitlements to the distributions	30 Jun 2015	30 Jun 2014		
Date interim dividends and distributions were paid	20 Feb 2015	21 Feb 2014		
Date final dividends and distributions are payable	26 Aug 2015	26 Aug 2014		

Distribution reinvestment plan
Goodman Group's Distribution Reinvestment Plan (DRP) will operate in respect of the final 2015 distributions.
The last date for receipt of an election notice to participate in the DRP was 1 July 2015.

	30 Jun 2015	30 Jun 2014	Change	
Total assets ($M)	11,262.3	9,403.9	**up**	19.8%
Total liabilities ($M)	3,886.2	3,173.5	**up**	22.5%
Net assets ($M)	7,376.1	6,230.4	**up**	18.4%
Net tangible assets per security/share (cents)	346.49	287.78	**up**	20.4%
Total borrowings to equity ratio (%)	36.7	34.7	**up**	5.8%
Contributed equity ($M)	7,936.2	7,846.9	**up**	1.1%
Security price ($)	6.27	5.05	**up**	24.2%
Number of securities on issue (M)	1,753.0	1,727.7	**up**	1.5%
Market capitalisation ($M)	10,991.5	8,724.8	**up**	26.0%
Number of Securityholders	19,592	16,994	**up**	15.3%

Controlled entities acquired or disposed

During the year, the following material controlled entities were disposed of:

- Goodman West Thurrock (Jersey) Limited
- Goodman Citadel (Jersey) Limited
- Goodman Daventry (Jersey) Limited
- Goodman Gloucester (Jersey) Limited
- Goodman Oceanview Logistics (Jersey) Limited

Associates and joint venture entities

Goodman's Group's associates are set out in note 6 to the financial statements.

Goodman Group's joint ventures and its percentage holding in these joint ventures are set out below:

- KWASA Goodman Industrial Trust (40%)
- Goodman Australia Development Fund (20%)
- Goodman Princeton Holdings (Lux) Sàrl (20%)
- Goodman Princeton Holdings (Jersey) Ltd (20%)
- BGA1 Pty Limited (50%)
- Toll Goodman Property Services Pty Ltd (50%)
- 413 King William Street Trust (50%)
- GGGAIF Huntingwood East (50%)
- GGGAIF Bungarribee No.5 (50%)
- BGMG1 Oakdale South Trust (50%)
- BGMG2 Rochedale Trust (50%)
- Goodman China Logistics Holding Limited (20%)
- Goodman Japan Development Partnership (50%)
- KWASA Goodman Germany (30%)
- Agate Ingatlanforgalmazo Kft (50%)
- Goodman Lazulite Logistics (Lux) Sàrl (50%)
- Üllő One 2008 Kft (50%)
- Üllő Two 2008 Kft (50%)
- WMP NV (50%)
- BL Goodman LLP (50%)
- Pochin Goodman (Deeside) Ltd (50%)
- Desborough Developments Limited (50%)
- Goodman North America Partnership (55%)
- WT Goodman IBP Participações S.A (50%)
- WT Goodman Cajamar Participações S.A (50%)

Goodman Limited
ABN 69 000 123 071
and its Controlled Entities
Consolidated financial report for the year ended 30 June 2015

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The directors (Directors) of Goodman Limited (Company) present their Directors' report on the consolidated entity consisting of the Company and the entities it controlled (Goodman or Consolidated Entity) at the end of, or during, the financial year ended 30 June 2015 and the audit report thereon.

Principal activities

Goodman is a global integrated property group and one of the world's leading listed industrial property groups. Goodman is focused on its proven business model of owning, developing and managing industrial property and business space in key markets around the world.

The principal activities of Goodman during the course of the current financial year were investment in directly and indirectly held industrial property, property services, property development (including development management) and fund management. The principal markets in which the Consolidated Entity operated during the financial year were Australia and New Zealand, Asia, Continental Europe, United Kingdom and the Americas.

Directors

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

Directors	Appointment date
Mr Ian Ferrier, AM (Independent Chairman)	1 September 2003
Mr Gregory Goodman (Group Chief Executive Officer)	7 August 1998
Mr Philip Fan (Independent Director)	1 December 2011
Mr John Harkness (Independent Director)	23 February 2005
Ms Anne Keating (Independent Director)	23 February 2005
Ms Rebecca McGrath (Independent Director)	3 April 2012
Mr Philip Pearce (Managing Director, Greater China)	1 January 2013
Mr Danny Peeters (Executive Director, Corporate)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Deputy Chief Executive Officer)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Details of the Directors' qualifications and experience are set out on pages 36 to 38 in this Directors' report.

Company Secretary

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

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Details of the Company Secretary's qualifications and experience are set out on page 38 in this Directors' report.

Directors' meetings

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

	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
Directors	**Held**[1]	**Attended**[2]	**Held**[1]	**Attended**	**Held**[1]	**Attended**	**Held**[1]	**Attended**
Mr Ian Ferrier	13	13	4	4	3	3	-	-
Mr Gregory Goodman	13	13	-	-	-	-	-	-
Mr Philip Fan	13	12	4	4	-	-	4	4
Mr John Harkness	13	12	4	4	-	-	4	4
Ms Anne Keating	13	12	-	-	3	3	4	4
Ms Rebecca McGrath	13	12	-	-	3	3	4	4
Mr Philip Pearce	13	13	-	-	-	-	-	-
Mr Danny Peeters	13	13	-	-	-	-	-	-
Mr Phillip Pryke	13	13	4	4	3	3	-	-
Mr Anthony Rozic	13	13	-	-	-	-	-	-
Mr Jim Sloman	13	13	-	-	3	3	4	4

1. Reflects the number of meetings individuals were entitled to attend.
2. Each Director attended every scheduled meeting. Several additional meetings were held on short notice for which some directors were unable to attend. However, they were able to review papers and provide their input into the meeting. At all times, there was a majority of independent directors at all meetings.

Operating and financial review

Goodman strategy

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

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

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

Integrated business model

Operating and financial review (cont)

Performance overview

Financial highlights

	Consolidated		
	2015	**2014**	**Change %**
Revenue and other income before fair value adjustments on investment properties ($M)	1,618.7	1,492.2	8.5%
Fair value adjustments on investment properties including share of the adjustments for associates and joint ventures ($M)	737.9	186.8	295.0%
Revenue and other income ($M)	2,356.6	1,679.0	40.4%
Profit attributable to Securityholders ($M)	1,208.0	657.3	83.8%
Total comprehensive income attributable to Securityholders ($M)	1,408.0	776.0	81.4%
Operating profit ($M)	653.5	601.1	8.7%
Basic profit per security (¢)	69.2	38.2	81.2%
Operating profit per security (operating EPS) (¢)[1]	37.2	34.8	7.1%
Distributions in relation to the financial year ($M)	388.3	356.7	8.9%
Distribution per security (¢)	22.2	20.7	7.2%
Weighted average number of securities on issue (M)	1,745.3	1,721.0	1.4%
Total equity attributable to Securityholders ($M)	7,050.3	5,904.6	19.4%
Number of securities on issue (M)	1,753.0	1,727.7	1.5%
Net tangible assets per security ($)[2]	3.46	2.88	20.1%
Net assets per security ($)[2]	4.02	3.42	17.5%
Gearing (%)[3]	17.3	19.5	(11.3%)
Liquidity ($B)	1.8	1.5	20.0%
Weighted average debt maturity (years)	4.7	5.4	(13.0%)

1. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during the year, including 9.4 million securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved.
2. Net tangible assets and net assets per security are stated after deducting amounts due to other non-controlling interests.
3. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the asset component of the fair values of cross currency swaps used to hedge foreign liabilities denominated in currencies other than those to which the proceeds are applied equating to $176.9 million – refer to note 13 to the consolidated financial statements.

Operating profit

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

Goodman reported an operating profit of $653.5 million for the year ended 30 June 2015, a 9% increase on the prior year, which equates to an operating EPS of 37.2 cents, up 7.1% on the prior year. The Consolidated Entity is benefiting from its globally diversified platform, with international operations contributing 55% of operating earnings before interest and tax and unallocated cost.

During the financial year, Goodman has maintained strong property fundamentals across the portfolio notwithstanding the low growth environment. At the same time, strong demand from investors has continued to drive liquidity in the market, providing favourable opportunities for Goodman to sell assets to third parties of $1.9 billion across its portfolios and rotate capital into funding for its growing development business. Goodman's investments in associates and joint ventures (hereafter referred to as "managed partnerships") in Australia, Asia and Continental Europe have seen increases in assets under management (AUM), with development completions and acquisitions more than offsetting the impact of the asset disposals. Overall, the Consolidated Entity's investment earnings before interest and tax (EBIT) for the year have increased by $8.4 million to $394.6 million.

Development activities remain a core part of the business providing the best risk adjusted returns at this point of the property cycle and development EBIT for the financial year has increased by $42.1 million to $256.6 million. At 30 June 2015, development work in progress has increased to $3.1 billion.

Operating and financial review (cont)

Performance overview (cont)

Operating profit (cont)

During the year, external AUM have increased by $2.8 billion to $25.2 billion across 16 managed partnerships due to the redeployment of capital into development activities, growth in asset pricing and foreign currency translation impacts. Management EBIT for the financial year has increased by $8.1 million to $125.2 million.

Statutory profit

Goodman's statutory profit attributable to Securityholders for the year is $1,208.0 million, an increase of $550.7 million compared with the prior financial year. The Consolidated Entity's statutory profit includes net property valuation gains of $709.7 million, net losses from the fair value movements on derivative financial instruments and unrealised foreign exchange movements on interest bearing liabilities of $99.8 million and other non-cash adjustments or non-recurring losses of $55.4 million, which mainly relate to share based payments.

The reconciliation of operating profit to profit attributable to Securityholders for the year is summarised in the table below:

		Consolidated	
		2015	2014
	Note	$M	$M
Operating profit		**653.5**	**601.1**
Adjustments for:			
Property valuation gains			
- Net gain from fair value adjustments on investment properties	6(e)	515.9	48.6
- Share of net gains from fair value adjustments attributable to investment properties in associates and joint ventures	2	222.0	138.2
- Impairment losses	2	(28.2)	(14.4)
Total property valuation gains		**709.7**	**172.4**
Derivative mark to market and unrealised foreign exchange movements			
- Fair value adjustments on derivative financial instruments	11	53.6	(82.3)
- Share of fair value adjustments on derivative financial instruments in associates and joint ventures	2	6.6	(10.5)
- Unrealised foreign exchange (loss)/gain	11	(160.0)	14.4
Total derivative mark to market and unrealised foreign exchange movements		**(99.8)**	**(78.4)**
Other non-cash adjustments or non-recurring losses			
- Share based payments expense	2	(51.0)	(32.0)
- Net capital losses not distributed		(5.2)	(1.3)
- Straight lining of rental income		0.8	(4.5)
Total other non-cash adjustments or non-recurring losses		**(55.4)**	**(37.8)**
Profit attributable to Securityholders		**1,208.0**	**657.3**

The most significant property valuation gains relate to Goodman's urban renewal activities in the Australia division, where assets have been externally valued to reflect their "highest and best use" following changes in zoning. However, valuation gains have been recorded in most of Goodman's divisions as strong investment markets have favourably impacted asset pricing.

The statutory profit includes unrealised fair value gains of $60.2 million on derivative financial instruments and unrealised foreign exchange losses of $160.0 million on interest bearing liabilities. However, there is a gain of $204.3 million in the consolidated statement of comprehensive income relating to the foreign currency translation of the net assets of foreign operations, which is booked in reserves and not recognised in statutory profit attributable to Securityholders. This situation arises because Goodman's policy is to hedge between 70% and 95% of the net assets of these foreign operations. Where the Consolidated Entity invests in foreign assets, it will borrow in that currency or enter into derivative financial instruments to create a similar liability. In so doing, the Consolidated Entity minimises its net asset and income exposures to those currencies. The unrealised fair value movement of the derivative financial instruments (up or down) is recorded in the income statement; however, the foreign currency translation of the net investment that is being hedged is recorded directly in reserves.

Operating and financial review (cont)

Performance overview (cont)

Capital management

Goodman is committed to delivering consistent and sustainable growth, while maintaining its focus on balance sheet strength. At 30 June 2015, gearing declined to 17.3% and available liquidity is $1.8 billion with debt maturities covered up to December 2019.

Dividends and distributions

The total dividends and distributions in respect of the current financial year are 22.2 cents per stapled security. Goodman Industrial Trust declared and paid an interim distribution of 11.1 cents per security in respect of the six months ended 31 December 2014, and declared a final distribution of 11.1 cents per security in respect of the six months ended 30 June 2015. Total dividends and distributions per security are up 7% or 1.5 cents per security compared to the prior financial year.

Business unit performance

Goodman's operational performance may be analysed into investment earnings, development earnings and management earnings.

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

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

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

The Consolidated Entity achieved operating EBIT of $717.1 million, an 8% increase compared with the prior financial year, which reflects the organic growth and increased scale from Goodman's existing markets. The development and management businesses continued to perform strongly, consistent with customer and investor demand and the business strategy for prime industrial space across all of Goodman's operating markets, contributing a combined 49% (2014: 46%) of operating EBIT before unallocated operating expenses. The earnings composition was in line with the Consolidated Entity's expectations, with 51% (2014: 54%) contributed from investments, 33% (2014: 30%) from developments and 16% (2014: 16%) from management services.

Operating and financial review (cont)

Business unit performance (cont)

	Consolidated	
	2015	**2014**
	$M	**$M**
Analysis of operating profit		
Investment	394.6	386.2
Development	256.6	214.5
Management	125.2	117.1
Unallocated operating expenses	(59.3)	(55.9)
Operating profit before net finance expense and income tax expense	**717.1**	**661.9**
Net finance expense[1]	(21.4)	(26.4)
Income tax expense	(21.0)	(13.0)
	674.7	**622.5**
Less: Attributable to non-controlling interests	(21.2)	(21.4)
Operating profit	**653.5**	**601.1**
Operating EPS[2] (¢)	37.2	34.8

1. Net finance expense excludes derivative mark to market and unrealised foreign exchange (losses)/gains.
2. Operating EPS is the operating profit divided by the weighted average number of securities on issue during the year, including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved.

Investment ("own")

Investment	2015 $M	2014 $M
Direct	145.9	152.1
Managed funds	354.7	339.7
Look through EBIT[1]	**500.6**	**491.8**
Look through interest and tax[1]	(106.0)	(105.6)
Operating EBIT	**394.6**	**386.2**

1. 'Look through' includes the Consolidated Entity's share of EBIT and interest and tax from managed partnerships.

Key metrics[1]	2015	2014
Weighted average capitalisation rate (%)	7.0	7.5
Weighted average lease expiry (WALE) (years)	4.8	4.9
Customer retention (%)	74	73
Occupancy (%)	96	96

1. Key metrics relate to both directly held properties and properties held in managed partnerships.

The investment business has performed in line with expectations, achieving a return on assets of 7% and total average returns in excess of 16% across Goodman's managed partnerships. Operating EBIT of $394.6 million has increased by 2% compared to the prior year and comprises 51% of total operating EBIT before unallocated operating expenses (2014: 54%).

Property fundamentals remain strong, reflecting the quality of the portfolio and customers. Occupancy has been maintained at 96% with a WALE of 4.8 years. Like-for-like rental net property income growth across the portfolio is 2.5% and reversions on new leasing deals are 4.7%.

During the year, attractive capital market conditions have provided Goodman with ongoing opportunities to selectively rotate assets. As a result, $1.9 billion of properties across the Consolidated Entity and its managed partnerships have been sold to third parties. This includes the disposals of properties in Australia (both directly held and in managed partnerships), Continental Europe (both directly held and in Goodman European Logistics Fund (GELF)) and the United Kingdom (both directly held and in Arlington Business Parks Partnership (ABPP)).

Operating and financial review (cont)

Business unit performance (cont)

***Investment ("own")* (cont)**

However, the managed partnerships have continued to invest in new, well located assets funded, at least in part, by the proceeds from asset rotation. This continued investment is the principal reason for the increase in operating EBIT compared to the prior year, with AUM growing in most regions, but particularly in Asia (Goodman Japan Core Fund (GJCF) and Goodman China Logistics Holding Limited (GCLH)) and Continental Europe (GELF)).

Urban renewal
Goodman continues to progress its urban renewal strategy and has a pipeline in excess of 35,000 apartments across the Australian portfolio. During the year, Goodman has achieved positive planning outcomes on a number of sites and at 30 June 2015, Goodman has $1.1 billion of sites conditionally contracted for sale, reflecting the strong demand for zoned residential sites. Goodman expects to realise these sale proceeds over the next three years, providing medium term capital to fund opportunities for the Consolidated Entity and its managed partnerships.

Property valuations
In relation to urban renewal, where zoning changes have occurred the sites have been externally valued to reflect the "highest and best use" and this has contributed approximately 70% of asset revaluation gains during the year. The strong investment markets in most divisions have also favourably impacted asset pricing and total net property valuation gains for the year, including both directly held properties and Goodman's share of managed partnerships, are in excess of $700 million, with the Consolidated Entity's weighted average capitalisation rate tightening to 7.0% at 30 June 2015.

Development ("develop")

Development	2015 $M	2014 $M
Revenues	327.8	276.5
Operating EBIT	**256.6**	**214.5**

Key metrics	2015	2014
Work in progress ($B)	3.1	2.6
Work in progress (million square metres)	2.2	2.2
Number of developments	76	76
Pre-commitment (%)	65	53
Yield (%)	8.8	8.3

Goodman's development business performed strongly during the year, contributing $256.6 million of operating EBIT, a 20% increase compared with the prior financial year. Development EBIT comprises 33% of total operating EBIT before unallocated operating expenses (2014: 30%).

Significant development EBIT contributions have been made by most divisions and customer demand remains strong for modern, well-located logistics space designed to achieve greater operating efficiencies and returns. In addition, investor demand has driven up asset pricing in most regions, improving overall returns.

In Australia, Goodman is benefiting from the change in use of traditional industrial sites, with new relocation projects secured on behalf of customers. In Continental Europe and Greater China, a key feature of the robust customer demand is the realisation of cross border opportunities with global customers and the ability to provide recurring solutions to meet their needs. In Japan, two developments transacted during the year and a third project has been significantly progressed. In the United Kingdom, Goodman has seen an increase in development activity during the year, with several projects completed and sold to third parties. Finally, in North America, projects are underway in the Inland Empire West market in Southern California and during the year, one development was sold to a third party on completion.

At 30 June 2015, development work in progress has increased to $3.1 billion across 76 projects, which includes strategic, uncommitted projects in Japan, the United Kingdom and North America. However, Goodman has maintained its prudent approach to mitigating development risk, which is evidenced by the fact that 85% of all development completions are pre-sold.

Operating and financial review (cont)

Business unit performance (cont)

Management ("manage')

Management	2015 $M	2014 $M
Management income	215.7	205.9
Operating EBIT	**125.2**	**117.1**

Key metrics	2015	2014
Number of managed vehicles	16	15
External AUM (end of period) ($B)	25.2	22.4

Management activities contributed $125.2 million of operating EBIT, a 7% increase compared with the prior financial year. This increase is driven by the growth in AUM, which increased to $25.2 billion across 16 managed partnerships at 30 June 2015, from A$22.4 billion at 30 June 2014. This increase in AUM, despite asset disposals of $1.9 billion to third parties during the year, is a result of the redeployment of capital into development activities, growth in asset pricing and foreign currency translation impacts.

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

Goodman has completed a number of initiatives across its managed partnerships during the financial year, raising $1.8 billion of new third party equity.

+ Goodman and Canada Pension Plan Investment Board (CPPIB) committed a further US$1.1 billion of equity for Goodman North America Partnership (GNAP);
+ Goodman and CPPIB also committed a further US$500 million for GCLH;
+ GJCF completed a ¥23 billion capital raising to fund the acquisition of completed developments at Mizue and Obu from the Goodman Japan Development Partnership (GJDP); and
+ Goodman Property Trust (GMT) and Singapore's Government Investment Corporation completed a NZ$500 million strategic partnership in New Zealand.

Managed partnerships also continue to transition, extend and diversify their debt platforms to unsecured debt platforms, completing $5.4 billion of debt refinancing in the financial year to date with an average 4.5 year term to expiry.

As at 30 June 2015, undrawn equity and available liquidity (cash and undrawn debt facilities) of $7.6 billion mean that the managed partnerships have significant scope to participate in further development opportunities from Goodman and broader markets should they arise.

Operating costs

The Consolidated Entity has continued to review its operations for further efficiencies, with head count maintained or reduced in most regions and new hires targeted at growth markets in Greater China and North America.

Capital management

Goodman has maintained a sound financial position with gearing at 17.3% (2014: 19.5%), well within the Consolidated Entity's target range. Interest cover remains high at 6.0 times.

At 30 June 2015, Goodman had available liquidity of $1.8 billion and had a weighted average debt maturity profile of 4.7 years, with debt maturities fully covered up to December 2019. The Consolidated Entity's Standard & Poor's (S&P) credit rating remains at BBB with a stable outlook and Moody's credit rating remains at Baa2/stable.

Goodman has continued to deliver on its stated strategy of diversifying its debt funding sources. During the year, Goodman procured $0.8 billion from debt capital markets with an average term of 7.6 years across the managed partnerships.

Furthermore, the Consolidated Entity's distribution reinvestment plan was active during the financial year, raising a total of $89 million.

Operating and financial review (cont)

Statement of financial position

	2015 $M	2014 $M
Stabilised investment properties	2,709.6	2,190.7
Cornerstone investments in managed partnerships	3,964.2	3,434.2
Development holdings	2,455.8	2,202.7
Intangible assets	976.4	932.7
Cash	746.5	359.9
Other assets	409.8	283.7
Total assets	**11,262.3**	**9,403.9**
Interest bearing liabilities	2,707.9	2,160.5
Other liabilities	1,178.3	1,013.0
Total liabilities	**3,886.2**	**3,173.5**
Non-controlling interests	325.8	325.8
Net assets attributable to Securityholders	**7,050.3**	**5,904.6**

Stabilised investment properties
Stabilised investment properties refer to investment properties which are not under development.

Goodman's stabilised investment properties have increased by $519 million to $2,710 million, which is primarily due to revaluation gains of more than $500 million and additions and transfers from developments of $211 million. The increase is partially offset by disposals of approximately $250 million, primarily in the United Kingdom. The majority of Goodman's stabilised investment properties are in Australia and include a number of sites with potential for urban renewal. The positive planning outcomes on these urban renewal sites have been the principal driver of the valuation gains.

Cornerstone investments in managed partnerships
Goodman's cornerstone investments in managed partnerships refers to equity accounted investments whose principal activity is property investment.

The value of cornerstone investments in managed partnerships has increased by $530 million to $3,964 million, of which $172 million is a result of movement in foreign currency. Investment has continued in most divisions as Goodman continues its development-led investment strategy. At the same time, asset disposals have occurred in Australia, Continental Europe and the United Kingdom as the managed partnerships capitalise on the strong investment market. This strong investment market has also resulted in a tightening of capitalisation rates, giving rise to valuation gains of $222 million.

Development holdings
Development holdings refer to inventories, investment properties under development, receivables and other assets associated with the Consolidated Entity's development activities and the equity accounted investments in managed partnerships whose principal activity is property development.

During the year, Goodman has increased its development holdings by $253 million to $2,456 million, of which $156 million is a result of movement in foreign currency. The overall development work in progress including managed partnerships (based on estimated end value) is $3.1 billion at 30 June 2015, up from $2.6 billion at the end of the prior year.

Intangible assets
The principal intangible assets (including goodwill) are in Continental Europe and the United Kingdom. The increase in the carrying value during the year is a result of foreign currency exchange movements.

Cash and interest bearing liabilities
Interest bearing liabilities, net of cash, are $1,961 million compared to $1,801 million at 30 June 2014. The increase is primarily due to foreign currency exchange movements.

Other assets and liabilities
Movements in other assets and liabilities mainly reflect the changes in the value of Goodman's derivative financial instruments.

Operating and financial review (cont)

Cash flow statement

	2015 $M	2014 $M
Operating cash flows	654.7	404.4
Investing cash flows	(147.8)	(228.5)
Financing cash flows	(120.3)	(461.4)
Net increase/(decrease) in cash	**386.6**	**(285.5)**
Cash at the end of the year	**746.5**	**359.9**

Operating cash flows were improved relative to the prior year, partly as a result of the increase in operating profit but primarily due to the increase in distributions received from managed partnerships. Operating cash flows also include the receipts and payments for Goodman's development activities, which may create volatility depending on the timing of development completions (and therefore cash flow) relative to the reporting date.

Investing cash flows primarily relate to the net investments in the Consolidated Entity's managed partnerships. During the year, the net investment of $382.3 million principally related to GCLH, GJDP and GNAP to fund development activities in those managed partnerships. This amount is lower than the prior year due to the asset rotation that has occurred in most of Goodman's managed partnerships, with proceeds being utilised to fund developments. Investing cash receipts also include the proceeds of $296.7 million from the disposal of directly held investment properties, primarily in the United Kingdom.

Financing cash flows include the drawdowns and repayments associated with Goodman's interest bearing liabilities as facilities are refinanced or cancelled. The principal financing cash outflow relates to Goodman's distributions to Securityholders (including holders of hybrid securities issued by Goodman PLUS Trust (Goodman PLUS)).

Outlook

The majority of Goodman's key markets are experiencing low inflation and low growth, which is likely to result in below average rental growth in those markets. At the same time, government stimulus measures have generated significant liquidity and the demand for "yield assets" is driving capital values very strongly. Given these macro-economic conditions, development activities currently provide the best risk adjusted returns for the Consolidated Entity and opportunities exist to rotate capital in order to improve the overall quality of Goodman's property portfolios and fund growth.

Urban renewal activity is expected to remain strong in the Australian market over the medium term. Currently, Goodman has a pipeline in excess of 35,000 apartments in the Sydney and Melbourne markets and this is expected to increase meaningfully over time as a result of planning changes. The impact of urban renewal on Goodman's income statement will most likely manifest in the form of asset revaluations, with realisations over the next three years.

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

At the same time, the Consolidated Entity will maintain its prudent capital management policy, with headline gearing targeted to remain low and significant available liquidity to be retained. This will allow Goodman to absorb shocks in global markets and take advantage of future opportunities that might arise.

Overall, the Consolidated Entity will benefit from its globally diversified platform. The increased contribution from Goodman's development and management activities is expected to be maintained and this ensures the Consolidated Entity is well positioned to achieve solid earnings growth for the year ending 30 June 2016. Accordingly, for the year ending 30 June 2016, Goodman is forecasting an operating EPS of 39.4 cents, up 6% on the current financial year.

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

Operating and financial review (cont)

Risks

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

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

The Board has also established a Risk and Compliance Committee to review and monitor all material risks in Goodman's risk management systems, including sustainability risks, market risks and operational risks.

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

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

Dividends and distributions

Goodman Limited did not declare any dividends during the financial year.

Distributions declared/announced by a controlled entity, Goodman Industrial Trust (GIT), directly to Securityholders during the financial year totalled 22.2 cents per security (2014: 20.7 cents per security), amounting to $388.3 million (2014: $356.7 million).

Goodman Logistics (HK) Limited, a controlled entity of the Company, did not declare any dividends during the financial year (2014: $nil).

Distributions declared during the current financial year by Goodman PLUS Trust, a controlled entity of GIT, to holders of hybrid securities (non-controlling interests) were $21.2 million (2014: $21.4 million).

Securities issued on exercise of performance rights

During the financial year, the Consolidated Entity issued 8,843,233 stapled securities as a result of the vesting of performance rights. The amount paid by the employees on exercise of these securities was $nil.

No performance rights have vested since the end of the financial year.

Unissued securities under performance rights

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

Expiry date	Exercise price $	Number of performance rights[1]	Performance hurdles[2]
Sep 19	-	14,246,949	Relative TSR (25%) and operating EPS (75%)
Sep 18	-	12,300,550	Relative TSR (25%) and operating EPS (75%)
Sep 17	-	11,492,964	Relative TSR (25%) and operating EPS (75%)
Sep 16	-	6,808,125	Relative TSR (25%) and operating EPS (75%)
Sep 15	-	2,605,044	Relative TSR (25%) and operating EPS (75%)

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited. Excludes 4,658,468 of performance rights where the intention is to cash settle.
2. Further details of the relative TSR and operating EPS performance hurdles are disclosed in the remuneration report in this Directors' report. In addition to satisfying these performance hurdles, the vesting of performance rights is subject to an employee's continued employment over the vesting period.

All performance rights expire on the earlier of their expiry date; the day that vesting conditions become incapable of satisfaction or are determined by the Board to not be satisfied; or following the termination of the employee's employment (other than in the event of special circumstances).

Remuneration report – audited

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

The report is set out as follows:

1 The role of the Remuneration and Nomination Committee
2 Remuneration policy for executives
   a) Fixed remuneration
   b) Short-term incentive
   c) Long-term incentive
3 Consequences of performance on Securityholder wealth
4 Discussion of 2015 remuneration outcomes
5 Remuneration policy for Non-Executive Directors
6 Directors' remuneration
7 Other senior executives' remuneration
8 Other prescribed information.

The table on the following page provides a high level summary of Goodman's remuneration elements as they relate to and impact the Group Chief Executive Officer. The Board exercises judgment and reserves its discretion in determining each element of remuneration.

Remuneration report – audited (cont)

Remuneration elements	Objectives and controls	Outcomes for Group Chief Executive Officer
Fixed remuneration	**Objective:** Designed to attract appropriately skilled and qualified executives. Current level set below median against a selected comparator group, meaning that on a total remuneration basis and against a comparator group, Goodman's overall remuneration mix is weighted more heavily towards at-risk incentive components. This approach maintains fixed costs within the business at a level that can be easily adjusted in event of a downturn. **Control:** No increase in fixed remuneration unless significant change in role occurs.	$1.4 million, with no increase since 2008.
Short-term incentive (STI) – performance based	**Objective:** To reward specific achievement against performance objectives within a defined period. Objectives based on the current year's Board approved strategy. **Financial targets:** Achievement of FY15 financial targets such as operating EPS, return on assets, return on equity, management margin and gearing across the Consolidated Entity. **Non-financial objectives**: Achievement of non-financial objectives such as further development of the funds management platform, investor support, implementation of business process improvement initiatives, satisfactory compliance and risk management controls and executing against strategic initiatives which provide the platform for future sustainable growth. **Control:** Goodman's STI pool is generated and paid only if the operating EPS target is achieved. In the event that operating EPS is not met, no STI is payable. STI for the Group Chief Executive Officer is capped at 200% of fixed remuneration.	$2.2 million (2014: $2.4 million). The Board considers the overall performance of Goodman and the individual performance, contribution and achievement of targets and objectives by the Group Chief Executive Officer, and exercises its discretion in relation to STI and LTI awards.
Long-term incentive (LTI) – performance based	**Objective:** To create significant retention incentive and strong alignment of interests between the Group Chief Executive Officer and Securityholders. Promotes decision making which focusses on the generation of long-term sustainable returns (6% operating EPS growth). Performance hurdles based on operating EPS (75%) and relative TSR against the Australian Securities Exchange (ASX) 100 (25%). **Control:** The number of performance rights able to be awarded under Goodman's LTIP is capped at 5% of Goodman's issued capital. Offers to Executive Directors remain subject to specific Securityholder approval before any awards are made. As a high proportion of total remuneration consists of LTI, the Group Chief Executive Officer retains significant exposure to positive and negative movements in Goodman's security price over the five year vesting period.	The Board's view is that the contribution of the Group Chief Executive Officer to the success of Goodman in 2015, including the execution of the Urban Renewal strategy has been significant and that the appropriate method of recognising this contribution is through additional LTI. Details of the LTI award proposed for the Group Chief Executive Officer is outlined further in this report.
Total remuneration	**Objective:** Maximise alignment with Securityholders by rewarding performance that creates sustainable long-term performance.	Considerable weighting towards LTI.

Remuneration report – audited (cont)

1 The role of the Remuneration and Nomination Committee

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

The Committee meets as required to consider and recommend to the Board, the remuneration policy and the specific remuneration arrangements for Executive Directors, other senior executives and Non-Executive Directors. In addition, the Committee considers and is responsible for the oversight of remuneration aspects which have a bearing upon all employees across Goodman, including STI, LTI, superannuation/pension entitlements and termination payments. The Committee is also responsible for certain other human resource related matters and oversees a succession planning exercise for key operational roles.

During the financial year, the members of the Committee were:

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

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

During both the current and prior financial years, the Committee has engaged Ernst & Young to provide market data in respect of remuneration for Directors and other senior executives.

The Committee members' meeting attendance record is disclosed on page 3 in this Directors' report.

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

Remuneration report – audited (cont)

2 Remuneration policy for executives

Executive remuneration

The design and introduction of competitive remuneration structures that motivate executives are vital. Goodman's remuneration policies have been designed to encourage and reward superior performance that is aligned with the business strategy and to provide compelling incentive for high performing executives to remain employed with Goodman.

Remuneration packages for executives include three elements. The first element is a fixed (or base) component largely in the form of periodic cash salary payments. The other two elements are linked to performance and comprise STI, in the form of discretionary cash bonuses, and LTI, in the form of equity which are a conditional and deferred form of remuneration. For executives, there is an emphasis on performance-linked remuneration so that when consolidated, divisional and individual targets are achieved, the majority of the total remuneration is performance based. In relation to performance based remuneration, a significant proportion is in the form of LTI that is deferred over three to five years.

Goodman's policy is that remuneration levels for executives are reviewed annually at the close of each financial year. Factors including individual performance, validation against local market remuneration levels and overall financial performance of Goodman are considered in assessing whether changes to remuneration levels or wider policy settings should occur. Where required, the Committee obtains independent advice on the remuneration for executives and directly engages external and independent professionals to advise on relevant matters and assist with validation of remuneration levels.

Executive performance in respect of both short-term and long-term performance-linked remuneration is assessed with regard to the achievement during the financial year of clearly outlined and measurable performance criteria that are consistent with Goodman's strategy. A key element of this strategy is that decisions made by executives consider the long-term sustainable returns of Goodman and wealth creation for Securityholders, and accordingly the Committee has determined that an increasing proportion of executives' performance-linked remuneration will be in the form of LTI, where performance hurdles need to be achieved over a three year financial period and vesting occurs in three equal tranches approximately three, four and five years after the award.

It is important to note that the Committee retains discretion to award performance-linked remuneration in consideration of multiple factors such as individual achievement against performance targets, Consolidated Entity or divisional results and general market conditions.

(a) Fixed remuneration

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

Fixed remuneration is set at competitive levels for the market where the role is performed, so as to attract and retain suitably qualified or experienced executives. However, Goodman remains focused on the fixed cost element in the business and executives have generally not had increases in fixed remuneration unless a significant change to their role and responsibilities has occurred.

(b) Short-term incentive

The STI is a cash bonus that is awarded to the executives only when Goodman achieves a target operating EPS set prior to the start of the financial year and an individual executive's performance meets or exceeds performance targets for a relevant financial year. The Board considers that a cash bonus is a clear and more effective element of remuneration when it is paid in a single payment following completion of the consolidated financial statements for the year to which it relates.

The operating EPS target is determined based on the appropriate returns for Goodman's investment, development and management business segments in each division, having regard to the stage of the property cycle, general economic conditions that exist at the time and growing the business in a prudent manner. If the operating EPS target is achieved, the Committee recommends a potential bonus pool based on an assessment of bonus ranges for all roles across Goodman, referenced against market data for similar roles. The Committee also considers any material changes to the size and scale of the business and the dynamics of the particular markets in which the business operates.

Remuneration report – audited (cont)

2 Remuneration policy for executives (cont)

(b) Short-term incentive (cont)

Individual allocations to each executive are determined following an assessment of the executive's performance against performance targets and contribution to Goodman's performance. The Committee is responsible for determining allocations for the executives and recommends the allocations for the Group Chief Executive Officer and the other Executive Directors to the Board for approval.

The Board has considered the issue of an upper limit upon STI payments and has determined that as a general rule, STI awards to the Group Chief Executive Officer will not exceed 200% of base salary. This limit underpins Goodman's remuneration strategy, which aims to align the long-term wealth creation interests of Securityholders with those of employees, and therefore weights performance related remuneration in favour of LTI.

However, the Board recognises that expertise within Goodman can lead to exceptional individual and divisional performance within a specific financial year and accordingly retains discretion on the determination of STI awards for executives, even where Goodman's financial metrics may not have been met. Conversely, awards of STI may be withheld notwithstanding that targets may have been met (such as in the case of poor total Securityholder returns).

(c) Long-term incentive

Goodman's Long Term Incentive Plan (LTIP) is intended to encourage the alignment of the interests of employees and Securityholders by matching rewards under the LTIP with the long-term growth and prosperity of Goodman. All employees of Goodman are eligible to participate in the LTIP. The LTIP was first approved by Securityholders at the 2009 Annual General Meeting and in accordance with best practice, re-approval of the LTIP is sought every three years.

Under the LTIP, each executive is awarded performance rights that allow them to acquire a Goodman stapled security for $nil consideration subject to both the achievement of performance hurdles over a three year period and remaining employed by Goodman at the relevant vesting dates after years three, four and five. As a result, in order to derive the full benefits of an award, an employee must remain employed over a five year vesting period.

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

The Board has determined that the amount of performance rights outstanding under the LTIP (or similar schemes) will be limited to 5% of the number of Goodman's issued securities. There are currently 52.11 million performance rights on issue, equal to 3% of the 1,753 million securities currently on issue. Further, in accordance with the ASX Listing Rules, any offer of performance rights to a Director is subject to Securityholder approval.

The conditional nature of the award – performance hurdles

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

The first performance hurdle relates to Goodman's operating EPS. Operating EPS is based on the operating profit (as defined in the Operating and financial review section of the Directors' report) and is determined on a diluted basis, having regard to the prospective issue of securities relating to performance rights where performance hurdles have been achieved (but not yet vested on the basis that the vesting date has not been reached). Operating EPS measures the direct contribution of employees to the financial performance of Goodman. Strong performance in operating EPS generally correlates with stronger returns to Securityholders through distributions and, subject to market factors and conditions, security price increases.

The operating EPS hurdle, which applies to 75% of each award, requires that the actual operating EPS over a three year period meets a minimum level of performance set by the Board. The target for each financial year is set at the commencement of that financial year, having regard to Goodman's strategic plans, which take into account market conditions and the resources of Goodman. Under the test, the performance hurdle will be satisfied in full when the cumulative operating EPS over three consecutive financial years meets or exceeds the target set by the Board. If the cumulative target is not met, then there is nil vesting against this hurdle. In the ordinary course of business, the Board believes that it would currently be inconsistent with Securityholders' expectations for there to be partial satisfaction of the hurdle where the target operating EPS had not been met.

Remuneration report – audited (cont)

2 Remuneration policy for executives (cont)

(c) Long-term incentive (cont)

The expectation for operating EPS growth is communicated to the market each year and in recent years this has been in the order of 6% per annum. The Board considers that this level is competitive when compared to that of peers and overall global growth rates. Over the past five years, Goodman has delivered in excess of the minimum each financial year and has done so at a time of substantial improvements in the capital position of Goodman which underpins its sustainability. As a result, there has been sustained 7% per annum distribution growth as well as security price growth and investors have participated in the benefits.

The second performance hurdle, which applies to 25% of each award, is based on the relative TSR of Goodman against that of other S&P/ASX 100 entities over a three year period. This hurdle operates over a range of outcomes such that where Goodman's performance is:

+ from the 1st to 50th percentile, there is no vesting;
+ from the 51st percentile (i.e. above-average performance), there is 50% vesting, with an additional 2% vesting for each additional percentile rank to the 75th; and
+ from the 76th percentile and above, there is 100% vesting.

The TSR hurdle aligns vesting outcomes for employees with the returns to Securityholders assessed against a comparator group. Partial vesting against this hurdle only commences once above-average returns are achieved. The Board considers the S&P/ASX 100 index is the most appropriate comparator group given that:

+ Goodman is ranked by market capitalisation within the top 100 ASX listed entities;
+ Goodman competes for investment capital against the top 100 ASX listed entities; and
+ the comparator group is sufficiently broad to include a sample of businesses with geographic diversity and business complexity.

For the LTIP awards in the 2013 and prior financial years, Goodman's TSR was assessed relative to the S&P/ASX 200 index.

The LTIP is paid in the form of stapled securities that vest over five years and as a result the LTIP incentivises and rewards executives for satisfying the hurdles where it is done in a prudent and sustainable fashion. Ultimately, the Board believes that this balanced approach is likely to manifest in sustainable total Securityholder returns over the long term.

Deferral and long-term decision making

Performance rights under the LTIP are a form of deferred remuneration. The performance conditions which are attached to the performance rights are tested over a period of three financial years and require consistent long-term performance objectives to be satisfied. Short-term decisions that may result in STI will adversely impact the ability to satisfy LTI performance hurdles if they are not aligned with Goodman's longer-term outcomes.

To ensure further long-term alignment, vesting is in three equal tranches approximately three, four and five years after the award, subject to the performance hurdles having been achieved and the individual remaining employed by Goodman (or ceasing to be employed in special circumstances e.g. death, total and permanent disability, redundancy or retirement). Extending the vesting beyond the three year testing period for the performance hurdles period strengthens the importance of outcomes that are sustained and supports security price performance that benefits all Securityholders. Where the business is performing strongly as a result of the contribution of executives, LTI grants are also likely to have a desirable retention effect.

No hedging of unvested LTI

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

Forfeiture of LTI

Under the terms of the LTIP, where a participant is dismissed in circumstances where such dismissal could be made without notice being given, their award will be forfeited. This would arise in circumstances of serious misconduct including an intentional, material misstatement of financial statements. LTI would also be forfeited where an executive ceases to be employed unless it was in special circumstances as described above.

Remuneration report – audited (cont)

3 Consequences of performance on Securityholder wealth

Over the past five years, a key financial objective for Goodman has been to achieve consistent growth in operating EPS, while at the same time maintaining a prudent capital management strategy. This has been facilitated over the past 12 months by selective rotation of assets across Goodman's managed partnerships, with proceeds being used to both finance ongoing developments and reduce financial leverage. The Board is of the view that the successful execution of this plan will drive above-average Securityholder returns over the long term.

This strategy is supported by Goodman's TSR and operating EPS over the past five financial years that is set in the table below:

		2011	2012	2013	2014	2015
TSR[1]	%	16.8	7.3	34.0	10.7	30.0
Operating EPS[2]	¢	28.3	30.5	32.4	34.8	37.2

1. The TSR (sourced from Bloomberg) is based on the distributions paid to Securityholders and the security price movement during each financial year and assumes Securityholders reinvested distributions. The calculated TSR is compared to the TSR of other entities in the S&P/ASX 100 Index (S&P/ASX 200 Index for grants made in 2013 and prior financial years) for the purpose of determining the relative TSR performance hurdle under the LTIP.
2. Operating EPS is the operating profit divided by the weighted average number of securities on issue during the year, including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved.

In light of these long-term financial objectives, the Board considers that the structure of Goodman's performance-linked remuneration is appropriate, with the impact of both Goodman's security price and operating performance being taken into account in establishing remuneration policy. In particular, the achievement of a target consolidated operating EPS is a key factor for the determination of both STI and LTI elements.

The Committee considers that operating EPS presents a clear view of the underlying operational performance and measures the direct contribution of employees to the financial performance of Goodman. It is calculated consistently each year for comparability and has been used as a measure of performance since 2005. Effectively, operating profit is a measure of Goodman's operational cash earnings and comprises profit attributable to Securityholders (statutory profit), adjusted for property valuations, derivative and foreign currency mark to market movements and other non-cash adjustments or non-recurring items. The principal other non-cash adjustment relates to the share based payments expense in respect of Goodman's LTIP.

The share based payments expense is excluded from operating profit as the performance rights are generally equity settled through the issue of new securities. For the purpose of calculating operating EPS, these new securities are included in the weighted average number of securities, reflecting the dilution impact on Securityholders. Furthermore, performance rights which have achieved the required performance hurdles at the start of the financial year but have not yet vested are also included in the weighted average number of securities in calculating operating EPS, reflecting the future dilution impact on Securityholders. In the case of the current financial year, the 1,754.7 million weighted average securities used in calculating operating EPS, includes securities that have vested during the year plus 9.4 million securities which have achieved the required performance hurdles and will vest in September 2015 and September 2016.

Impact on STI

Over the past five financial years, Goodman has seen an increase in operating EPS from 28.3 cps to 37.2 cps, an average growth of 7.9% per annum. Having regard in particular to the operating EPS, and the level of performance that the executives have achieved, the Board has made STI awards towards the upper end of the applicable ranges. At the same time, the level of staff retention amongst the executives has been high.

Impact on LTI

The first awards under Goodman's LTIP were made during the financial year ended 30 June 2010, with awards made to executives annually thereafter. Given Goodman's strong performance over the past few years, the vast majority of the performance rights awarded in the 2010, 2011 and 2012 financial years have now either vested or will vest in September 2015 and 2016, subject to executives remaining employed by Goodman.

Remuneration report – audited (cont)

3 Consequences of performance on Securityholder wealth (cont)

The table below summarises the cumulative-to-date performance for both the relative TSR and operating EPS tranches in respect of the grants made in the 2013, 2014 and 2015 financial years. For each grant, 75% is tested against an operating EPS hurdle and 25% against a relative TSR hurdle.

	Financial year of grant		
	2013	**2014**	**2015**
Performance period (three years ending)	30 June 2015	30 June 2016	30 June 2017
Goodman Group TSR per annum to 30 June 2015	24.4%	19.6%	30.0%
TSR assessed relative to	S&P/ASX 200	S&P/ASX 100	S&P/ASX 100
Relative TSR percentile to 30 June 2015	78th	64th	79th
Cumulative operating EPS target to 30 June 2015	103.5 cps	71.2 cps	36.9 cps
Cumulative operating EPS to 30 June 2015	104.4 cps	72.0 cps	37.2 cps

2013 LTIP grant
Based on the achievement of the operating EPS hurdle and full achievement of the relative TSR performance hurdle, 100% of the 2013 financial year grant of performance rights will vest into Goodman securities, subject to meeting the employment conditions, and will be delivered to executives in three tranches on an annual basis commencing from September 2015. Executives must remain employed on each of the three vesting dates in September 2015, 2016 and 2017 respectively for the performance rights to vest.

2014 and 2015 LTIP grants
For the grants made in the 2014 and 2015 financial years, the performance periods run to 30 June 2016 and 30 June 2017 respectively. For both grants, the operating EPS hurdles have been met or exceeded to date and relative TSR hurdles are on track to be partially or fully achieved. However, the performance hurdles for both grants will need to be assessed over the full three year performance periods to determine whether they are satisfied.

4 Discussion of 2015 remuneration outcomes

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

Reporting of remuneration for key management personnel in accordance with Australian Accounting Standards is set out in the tables on page 26 for Non-Executive and Executive Directors and on page 28 for other senior executives.

In relation to fixed remuneration, the Board maintained fixed remuneration at similar levels to the prior year for executives, in accordance with the remuneration policy for fixed pay set out in section 2 above.

STI awards are made to executives based on their performance and contribution to the business during the financial year, including the achievement of agreed performance targets and strategic initiatives that relate to both financial and non-financial criteria for their business units, other parts of the business and Goodman as a whole. Specialisation exists within the management structure; however, overall success is heavily dependent upon the input from other regions and the group function. Goodman's integrated business model means that achievements are often a product of collective effort.

The Committee considered that the achievements of the executives in relation to various strategic initiatives represented an overall performance that met the agreed performance targets. A summary of the key operational achievements under the integrated business model during the year ended 30 June 2015 is set out below.

Integrated business model achievements - delivered a 7.1% increase in Goodman's operating EPS from 34.8 cents to 37.2 cents as a result of:

Ownership achievements

+ maintained an overall leasing occupancy rate of 96% with retention levels at 74%;
+ achieved like-for-like rental growth of 2.5%;
+ deployed business process improvement activities, such as information technology optimisation programs; and
+ advanced planning on urban renewal sites, with a pipeline in excess of 35,000 apartments, contributing approximately 70% of asset revaluation gains during the year, and conditionally contracted $1.1 billion in sales;

Remuneration report – audited (cont)

4 Discussion of 2015 remuneration outcomes (cont)

Development achievements

+ increased development work in progress to A$3.1 billion across 76 projects in 11 countries with a forecast yield on cost of 8.8%;

Management achievements

+ maintained the disciplined approach to ensuring investments meet required investment hurdles;
+ delivered average total returns in excess of 16% across Goodman's managed partnerships;
+ capitalised on market demand for industrial properties with $1.9 billion of asset rotation to third parties;
+ notwithstanding the asset rotation, increased external AUM to $25.2 billion across 16 managed partnerships;
+ raised a total of $1.8 billion of new third party equity capital across the managed partnerships; and
+ developed and maintained strong relationships with Goodman's capital partners. At 30 June 2015, Goodman had 58 capital partners with an average investment size of $280 million; and

Capital management achievements

+ improved operating EPS by 7.1% while decreasing Goodman's headline gearing to 17.3%;
+ maintained available liquidity of $1.8 billion covering maturities up to December 2019;
+ renewed and extended bank facilities at improved rates; and
+ procured and renewed debt facilities of $0.8 billion, with average term of 7.6 years, across Goodman and its managed partnerships.

As a result of meeting financial and non-financial performance targets or objectives (including the achievements set out above), STI payments were awarded as disclosed in the tables on pages 26 and 28. The Board's assessment of each executive's performance occurs within the context of the integrated business model and achievements that contribute to Goodman's performance as a whole. Accordingly, the collective outcomes are relevant to determining each executive's STI.

In addition, during the year ended 30 June 2015, executives received an LTI award in September 2014 (or shortly thereafter where it was subject to Securityholder approval) in recognition of their performance in the financial year ended 30 June 2014 and as long-term remuneration aligned with future performance. In accordance with Australian Accounting Standards, the value of that award is determined using option pricing models and is then amortised, along with the value of unvested prior year awards, in the income statement over the vesting periods.

The Board also intends to make an award of LTI with regard to the executives' performance in the 2015 financial year and as long-term remuneration for future performance. This is not reflected in the current year remuneration (as it was not awarded prior to 30 June 2015). Further information about these intended awards is set out on page 32.

Group Chief Executive Officer remuneration

In respect of levels of total remuneration, comprising fixed base pay, STI and LTI, the Board believes that given Goodman's global presence, scale and integrated business model, the remuneration levels for the Group Chief Executive Officer and several other senior executive roles should be referenced alongside those of international competitors. On this basis, the Board considers that the most appropriate comparator group for benchmarking total remuneration for the Group Chief Executive Officer includes Westfield Group, ProLogis Inc. and Global Logistics Properties because of the similar attributes of their businesses, with the latter two being Goodman's main global competitors. The remuneration philosophies of these entities are characterised by a significant proportion of total remuneration considered to be "at risk", on the basis that this encourages maximum alignment between the long-term wealth creation interests of executives and Securityholders.

The Board considers that in relation to incentive compensation a significant component of total remuneration should be delivered through equity plans, and that this encourages long-term decision making. This remains an appropriate model of incentivising and rewarding the Group Chief Executive Officer and other senior executives.

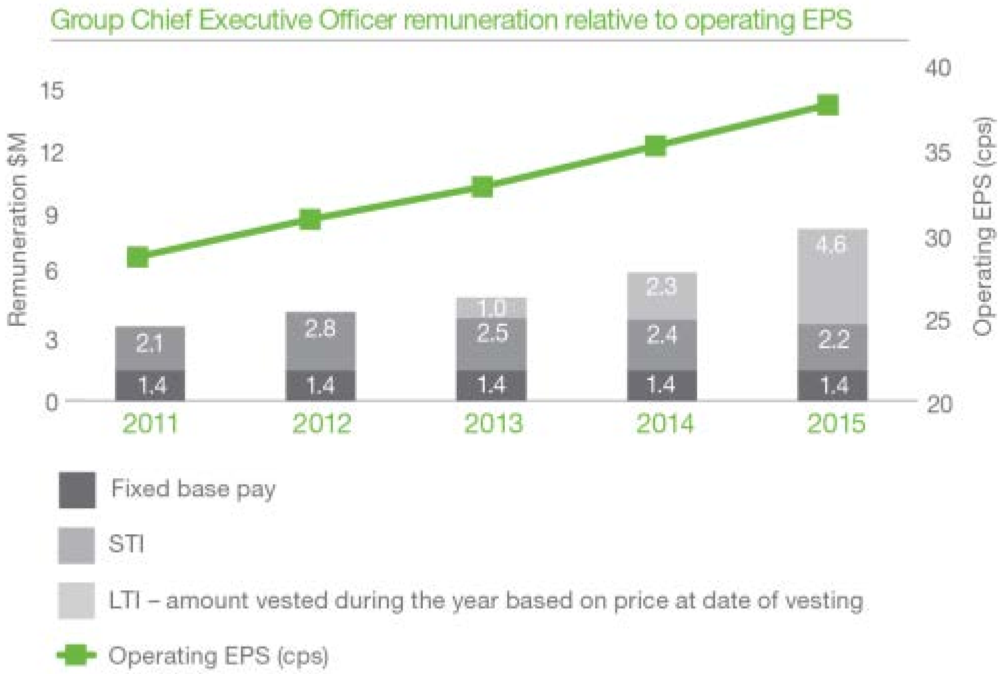
The analysis below sets out the Group Chief Executive Officer's remuneration (on a cash basis) and the performance of the Consolidated Entity, as measured by operating EPS, in each of the past five financial years.

The Group Chief Executive Officer's remuneration in the following graph comprises base pay (including superannuation entitlements but excluding the impacts of any annual leave), STI in relation to the financial year and the value of performance rights under the LTIP that vested during the financial year. This will be different from the value of performance rights calculated under Australian Accounting Standards and included in section 6, which amortises a theoretical valuation for each award over the vesting periods.

Remuneration report – audited (cont)

4 Discussion of 2015 remuneration outcomes (cont)

***Group Chief Executive Officer remuneration* (cont)**



Consistent with Goodman's policy for executive remuneration, the Group Chief Executive Officer's base pay has remained constant at $1.4 million per annum over the past five years and will remain so for 2016.

The total of the STI to the Group Chief Executive Officer in respect of the current financial year was $2.2 million (2014: $2.4 million). In respect of the awards made under the LTIP, $4.6 million (2014: $2.3 million) vested during the current financial year, which is based on the mid-market price of Goodman stapled securities of $5.54 at the vesting date on 1 September 2014.

The increase in the cash value of the LTI is due to the vesting of three tranches of performance rights in September 2014 compared to two tranches in September 2013 and also the increase in the price of Goodman stapled securities.

In recognition of the Group Chief Executive Officer's performance in for the year ended 30 June 2015 and the importance of aligning long-term decision making with the interests of Securityholders, the Board intends to make the Group Chief Executive an offer of 2,000,000 performance rights. The proposed award will be subject to Securityholder approval at the 2015 Annual General Meeting.

The proposed award incorporates an offer of 1,200,000 performance rights relating to overall operating performance, an uplift of approximately 200,000 performance rights from the prior year. This reflects the achievement of financial and non-financial performance targets or objectives and importantly doing so in a manner that has continued to improve on the sustainability of the business through strategic initiatives that have favoured long-term growth over short-term profit taking. Such initiatives include the investment in new markets such as the United States and Brazil that are yet to make a significant contribution, as well as asset rotation in the both Goodman and managed partnerships which, while sacrificing higher yielding short-term returns, enables Goodman and managed partnerships to improve the quality of the portfolio for longer-term performance.

These strategic initiatives were complemented by other operational achievements including:

+ the implementation of business process improvement platforms, which contribute to increased operational efficiency;
+ continued investor satisfaction with Goodman's fund management performance, evidenced by increases in AUM and a willingness of existing investors to explore investment opportunities;
+ a focus on delivering a high standard of internal compliance and risk management activities; and
+ a demonstration of leadership within the business in order to drive commercial outcomes in a manner consistent with Goodman's values.

Remuneration report – audited (cont)

4 Discussion of 2015 remuneration outcomes (cont)

***Group Chief Executive Officer remuneration* (cont)**

The proposed award also incorporates an offer of 800,000 performance rights in relation to urban renewal activities. This award reflects the Group Chief Executive Officer's leadership and contribution to the strategic repositioning of the assets that have allowed Goodman to take advantage of urban renewal opportunities. Such activities have resulted in:

+ Goodman exchanging on $1.1 billion of property, the proceeds of which will ensure the business is self-funded in the medium term;
+ an uplift in valuations of $710 million, 70% of which related to urban renewal, contributing to a 20% increase in the Consolidated Entity's net tangible assets;
+ a reduction in gearing to 17% (partly as a result of the uplift in valuations) with further improvements expected in the short term on receipt of cash proceeds; and
+ an urban renewal pipeline in excess of 35,000 apartments, with a strong likelihood that this will increase meaningfully over time.

Many of these benefits from urban renewal will manifest over the medium term and accordingly the Board considers it appropriate to link the remuneration for that performance to the award of performance rights. By their very nature, performance rights are a form of deferred remuneration, subject to meeting performance conditions, where the value will depend on the long-term security price performance and sustainability of Goodman's earnings.

5 Remuneration policy for Non-Executive Directors

The policy for remuneration of Non-Executive Directors is structured to ensure independence of judgement in acting in the best interests of Securityholders and in the performance of their duties. Non-Executive Directors receive fixed fees for being on the Board and additional fees for membership of committees. These fees reflect the experience and responsibilities attached to the role of being Non-Executive Directors. Periodically, remuneration levels are benchmarked against data from external advisers about fees paid to non-executive directors of comparable companies.

As approved by Securityholders at the 2006 Annual General Meeting, total remuneration payable by Goodman to all Non-Executive Directors in aggregate must not exceed $2.5 million per annum. For the current financial year, total Non-Executive Directors' fees were $2.1 million (2014: $2.0 million) which takes into account amounts paid for their participation on various Board committees, chairing of these committees and compulsory contributions to superannuation. The increase in Non-Executive Director fees compared to the prior financial year is due to the 3% increase in both base fees and Board committee fees from 1 July 2014.

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

Remuneration report – audited (cont)

6 Directors' remuneration

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

		Short-term					Long-term	Share based payments			
Directors		**Salary and fees[1]** $	**Bonus[2]** $	**Other[3]** $	**Total** $	**Post-employment superannuation benefits** $	**Other[3]** $	**Performance rights[4]** $	**Total** $	**Proportion of remuneration performance related**	**Value of performance rights as proportion of remuneration**
Non-Executive											
Mr Ian Ferrier	**2015**	**511,667**	**-**	**-**	**511,667**	**18,783**	**-**	**-**	**530,450**	**-**	**-**
	2014	497,225	-	-	497,225	17,775	-	-	515,000	-	-
Mr Philip Fan	**2015**	**234,814**	**-**	**-**	**234,814**	**-**	**-**	**-**	**234,814**	**-**	**-**
	2014	227,975	-	-	227,975	-	-	-	227,975	-	-
Mr John Harkness	**2015**	**240,686**	**-**	**-**	**240,686**	**18,783**	**-**	**-**	**259,469**	**-**	**-**
	2014	240,200	-	-	240,200	17,775	-	-	257,975	-	-
Ms Anne Keating	**2015**	**216,031**	**-**	**-**	**216,031**	**18,783**	**-**	**-**	**234,814**	**-**	**-**
	2014	210,200	-	-	210,200	17,775	-	-	227,975	-	-
Ms Rebecca McGrath	**2015**	**222,275**	**-**	**-**	**222,275**	**18,783**	**-**	**-**	**241,058**	**-**	**-**
	2014	210,200	-	-	210,200	17,775	-	-	227,975	-	-
Mr Phillip Pryke[5]	**2015**	**314,904**	**-**	**-**	**314,904**	**18,783**	**-**	**-**	**333,687**	**-**	**-**
	2014	310,159	-	-	310,159	17,775	-	-	327,934	-	-
Mr Jim Sloman	**2015**	**216,031**	**-**	**-**	**216,031**	**18,783**	**-**	**-**	**234,814**	**-**	**-**
	2014	210,200	-	-	210,200	17,775	-	-	227,975	-	-
Executive											
Mr Gregory Goodman	**2015**	**1,371,635**	**2,200,000**	**14,409**	**3,586,044**	**17,079**	**57,549**	**3,157,950**	**6,818,622**	**78.6%**	**46.3%**
	2014	1,347,907	2,410,000	42,412	3,800,319	1,966	-	2,667,013	6,469,298	78.5%	41.2%
Mr Philip Pearce	**2015**	**686,526**	**1,300,000**	**-**	**1,986,526**	**2,775**	**-**	**1,218,081**	**3,207,382**	**78.5%**	**38.0%**
	2014	643,099	1,255,000	-	1,898,099	2,141	-	834,212	2,734,452	76.4%	30.5%
Mr Anthony Rozic	**2015**	**672,564**	**1,550,000**	**18,010**	**2,240,574**	**18,783**	**14,624**	**1,579,175**	**3,853,156**	**81.2%**	**41.0%**
	2014	702,390	1,300,000	18,010	2,020,400	17,775	12,164	1,342,698	3,393,037	77.9%	39.6%
		€	€	€	€	€	€	€	€		
Mr Danny Peeters[6]	**2015**	**559,655**	**915,000**	**-**	**1,474,655**	**-**	**-**	**1,038,190**	**2,512,845**	**77.7%**	**41.3%**
	2014	558,548	915,000	-	1,473,548	-	-	913,273	2,386,821	76.6%	38.3%

Refer to the following page for explanatory footnotes.

Remuneration report – audited (cont)

6. Directors' remuneration (cont)

Notes in relation to the table of Directors' remuneration

1. Salary and fees represent the amounts due to the Directors under the terms of their service agreements and does not reflect any salary sacrifice elections by the Directors. Salary and fees for the Non-Executive Directors include amounts payable for their participation on various Board committees. Salary and fees for the Executive Directors include movements in annual leave provisions during the financial year.

2. The bonuses awarded to the Executive Directors are in accordance with the bonus policy and based on both individual performance and the performance of Goodman.

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

4. For the current and prior financial year, the value attributed to performance rights is based on Goodman's accounting policy of amortising the value of the share based payment awards over the vesting periods, and therefore does not take into account awards made subsequent to the financial year end with respect to performance in the year ended 30 June 2015.

5. Salary and fees reported in the current financial year for Mr Phillip Pryke include an amount of A$83,426 (NZ$89,725) (2014: A$84,960 (NZ$94,000)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.

6. Mr Danny Peeters' remuneration is disclosed in Euros as all his remuneration, with the exception of performance rights, is determined in Euros rather than Australian dollars. The value attributed to his performance rights is translated from Australian dollars to Euros at the weighted average rate for the current financial year of A$/€ 0.6959 (2014: A$/€ 0.6770).

Remuneration report – audited (cont)

7 Other senior executives' remuneration

Details of the nature and amount of each major element of the remuneration of other senior executives (excluding the Executive Directors) are set out below:

		Short-term					Long-term	Share based payments			
Other senior executives		**Salary and fees**[1] $	**Bonus**[2] $	**Other**[3] $	**Total** $	**Post-employment superannuation benefits** $	**Other**[3] $	**Performance rights**[4] $	**Total** $	**Proportion of remuneration performance related**	**Value of performance rights as proportion of remuneration**
Mr Nick Kurtis, Group Head of Equities	**2015**	**666,800**	**1,650,000**	**18,010**	**2,334,810**	**18,783**	**13,881**	**1,583,500**	**3,950,974**	**81.8%**	**40.1%**
	2014	687,987	1,300,000	18,010	2,005,997	17,775	(27,158)	1,341,156	3,337,770	79.1%	40.2%
Mr Nick Vrondas, Chief Financial Officer	**2015**	**583,656**	**1,550,000**	**16,500**	**2,150,156**	**18,783**	**20,753**	**1,343,171**	**3,532,863**	**81.9%**	**38.0%**
	2014	597,040	1,200,000	16,500	1,813,540	17,775	16,912	1,052,810	2,901,037	77.7%	36.3%
Mr Jason Little, General Manager Australia	**2015**	**484,303**	**1,500,000**	**-**	**1,984,303**	**18,783**	**(6,188)**	**986,911**	**2,983,809**	**83.3%**	**33.1%**
	2014	491,187	965,000	-	1,456,187	17,775	(6,690)	705,577	2,172,849	76.9%	32.5%

Notes in relation to the table of other senior executives' remuneration

1. Salary and fees include movements in annual leave provisions during the financial year.

2. Bonuses awarded to executives are in accordance with the bonus policy and based on individual performance of executives as well as the overall performance of Goodman.

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

4. For the current and prior financial year, the value attributed to performance rights is based on Goodman's accounting policy of amortising the value of the share based payment awards over the vesting periods, and therefore does not take into account awards made subsequent to the financial year end with respect to performance in the year ended 30 June 2015.

Remuneration report – audited (cont)

8 Other prescribed information

Service agreements

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

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

As at the date of this Directors' report, the notice periods of the executives are as follows:

	Notice period	
	Company	**Employee**
Executive Directors		
Mr Gregory Goodman	12 months	12 months
Mr Philip Pearce	6 months	6 months
Mr Danny Peeters	12 months	12 months
Mr Anthony Rozic	6 months	6 months
Other senior executives		
Mr Nick Kurtis	6 months	6 months
Mr Nick Vrondas	6 months	6 months
Mr Jason Little	6 months	6 months

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

Analysis of bonuses included in the remuneration

Details of Goodman's policy in relation to the proportion of remuneration that is performance related is discussed in sections 2(b) and 2(c) of the remuneration report. No bonuses were forfeited during the financial year. Bonuses may not be paid in the event that an individual ceases employment through resignation.

Share based payments included as remuneration

Share based payments in the consolidated financial report refer to performance rights over Goodman stapled securities issued under the LTIP. Performance rights have been issued to the executives in both the current and prior financial year but have not been issued to the Non-Executive Directors.

Analysis of performance rights over Goodman stapled securities

Details of the performance rights under the LTIP granted by the Company as compensation to the executives are set out in the table on the next page.

Remuneration report – audited (cont)

8 Other prescribed information (cont)

Analysis of performance rights over Goodman stapled securities

Details of the performance rights under the LTIP granted by the Company as compensation to the executives are set out in the following tables:

	Number of performance rights granted	Date of performance rights granted	Financial year	Fair value per performance right[1] $	Total value of performance rights granted[1] $	% vested in prior years	% vested in the year[2]	% forfeited	Value of performance rights vested in the year[3] $	Financial years in which grant vests	Expiry date[4]
Executive Directors											
Mr Gregory Goodman	995,476	20 Nov 2014	2015	4.01	3,991,859	-	-	-	-	2018 – 2020	2 Sep 2019
	947,368	22 Nov 2013	2014	3.67	3,476,841	-	-	-	-	2017 – 2019	3 Sep 2018
	927,152	16 Nov 2012	2013	3.37	3,124,502	-	-	-	-	2016 – 2018	1 Sep 2017
	980,000	25 Nov 2011	2012	2.12	2,077,600	-	33.2	0.5	1,797,438	2015 – 2017	1 Sep 2016
	730,770	1 Feb 2011	2011	2.80	2,046,156	33.3	33.3	-	1,347,053	2014 – 2016	1 Sep 2015
	780,000	14 May 2010	2010	3.00	2,340,000	66.7	33.3	-	1,437,800	2013 – 2015	1 Sep 2014
Mr Philip Pearce	497,738	20 Nov 2014	2015	4.01	1,995,929	-	-	-	-	2018 – 2020	2 Sep 2019
	394,737	22 Nov 2013	2014	3.67	1,448,685	-	-	-	-	2017 – 2019	3 Sep 2018
	298,013	16 Nov 2012	2013	3.37	1,004,304	-	-	-	-	2016 – 2018	1 Sep 2017
	200,000	30 Sep 2011	2012	2.04	408,000	-	33.2	0.5	366,821	2015 – 2017	1 Sep 2016
	153,847	1 Feb 2011	2011	2.80	430,772	33.3	33.3	-	283,591	2014 – 2016	1 Sep 2015
	229,167	14 May 2010	2010	3.00	687,501	66.7	33.3	-	422,431	2013 – 2015	1 Sep 2014
Mr Danny Peeters	497,738	20 Nov 2014	2015	4.01	1,995,929	-	-	-	-	2018 – 2020	2 Sep 2019
	421,053	22 Nov 2013	2014	3.67	1,545,265	-	-	-	-	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	-	-	-	-	2016 – 2018	1 Sep 2017
	520,000	30 Sep 2011	2012	2.04	1,060,800	-	33.2	0.5	953,743	2015 – 2017	1 Sep 2016
	480,000	1 Feb 2011	2011	2.80	1,344,000	33.3	33.3	-	884,800	2014 – 2016	1 Sep 2015
	554,436	14 May 2010	2010	3.00	1,663,308	66.7	33.3	-	1,022,010	2013 – 2015	1 Sep 2014
Mr Anthony Rozic	542,987	20 Nov 2014	2015	4.01	2,177,378	-	-	-	-	2018 – 2020	2 Sep 2019
	421,053	22 Nov 2013	2014	3.67	1,545,265	-	-	-	-	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	-	-	-	-	2016 – 2018	1 Sep 2017
	520,000	30 Sep 2011	2012	2.04	1,060,800	-	33.2	0.5	953,743	2015 – 2017	1 Sep 2016
	480,000	1 Feb 2011	2011	2.80	1,344,000	33.3	33.3	-	884,800	2014 – 2016	1 Sep 2015
	520,834	14 May 2010	2010	3.00	1,562,502	66.7	33.3	-	960,071	2013 – 2015	1 Sep 2014

Refer to page 31 for explanatory footnotes.

Remuneration report – audited (cont)

8 Other prescribed information (cont)

Analysis of performance rights over Goodman stapled securities (cont)

	Number of performance rights granted	Date of performance rights granted	Financial year	Fair value per performance right[1] $	Total value of performance rights granted[1] $	% vested in prior years	% vested in the year[2]	% forfeited	Value of performance rights vested in the year[3] $	Financial years in which grant vests	Expiry date[4]
Other senior executives											
Mr Nick Kurtis	542,987	9 Oct 2014	2015	4.05	2,199,097	-	-	-	-	2018 – 2020	2 Sep 2019
	421,053	27 Sep 2013	2014	3.66	1,541,054	-	-	-	-	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	-	-	-	-	2016 – 2018	1 Sep 2017
	520,000	30 Sep 2011	2012	2.04	1,060,800	-	33.2	0.5	953,743	2015 – 2017	1 Sep 2016
	480,000	1 Feb 2011	2011	2.80	1,344,000	33.3	33.3	-	884,800	2014 – 2016	1 Sep 2015
	520,834	14 May 2010	2010	3.00	1,562,502	66.7	33.3	-	960,071	2013 – 2015	1 Sep 2014
Mr Nick Vrondas	497,738	9 Oct 2014	2015	4.05	2,015,839	-	-	-	-	2018 – 2020	2 Sep 2019
	368,421	27 Sep 2013	2014	3.66	1,348,421	-	-	-	-	2017 – 2019	3 Sep 2018
	397,351	12 Oct 2012	2013	3.15	1,251,656	-	-	-	-	2016 – 2018	1 Sep 2017
	360,000	30 Sep 2011	2012	2.04	734,400	-	33.2	0.5	660,282	2015 – 2017	1 Sep 2016
	293,700	1 Feb 2011	2011	2.80	822,360	33.3	33.3	-	541,387	2014 – 2016	1 Sep 2015
	416,667	14 May 2010	2010	3.00	1,250,001	66.7	33.3	-	768,056	2013 – 2015	1 Sep 2014
Mr Jason Little	395,928	9 Oct 2014	2015	4.05	1,603,508	-	-	-	-	2018 – 2020	2 Sep 2019
	315,789	27 Sep 2013	2014	3.66	1,155,788	-	-	-	-	2017 – 2019	3 Sep 2018
	231,788	12 Oct 2012	2013	3.15	730,132	-	-	-	-	2016 – 2018	1 Sep 2017
	200,000	30 Sep 2011	2012	2.04	408,000	-	33.2	0.5	366,821	2015 – 2017	1 Sep 2016
	200,000	1 Feb 2011	2011	2.80	560,000	33.3	33.3	-	368,667	2014 – 2016	1 Sep 2015
	193,750	14 May 2010	2010	3.00	581,250	66.7	33.3	-	357,146	2013 – 2015	1 Sep 2014

Notes in relation to the table analysis of performance rights over Goodman stapled securities

1. The fair value is determined at grant date and calculated using a combination of the standard Black Scholes model with a continuous dividend/distribution yield and a Monte Carlo model which simulated total returns for each of the S&P/ASX 100 entities, and discounted the future value of any potential future vesting performance rights to arrive at a present value.

2. As performance rights have an exercise price of $nil, Goodman stapled securities are automatically issued to employees when the performance rights vest. Accordingly, the percentage of performance rights that vested during the financial year equals the percentage of stapled securities issued during the financial year.

3. The value of performance rights vested is calculated using the closing price on the ASX of $5.54 on 1 September 2014, the day the performance rights vested.

4. As Goodman stapled securities are automatically issued to employees when the performance rights vest, the expiry date is deemed to be the vesting date.

Remuneration report – audited (cont)

8 Other prescribed information (cont)

Modification of terms of equity settled share based payment transactions
The terms of Goodman's share based payments were not altered or modified during the current financial year.

Analysis of movement of performance rights over Goodman stapled securities granted as compensation
The movement during the current financial year, by number, of performance rights granted under the LTIP to each executive is set out below:

	Year	Held at the start of the year	Granted as compensation	Vested	Forfeited	Held at the end of the year
Executive Directors						
Mr Gregory Goodman	**2015**	**3,601,700**	**995,476**	**(828,624)**	**(4,899)**	**3,763,653**
	2014	3,157,922	947,368	(503,590)	-	3,601,700
Mr Philip Pearce	**2015**	**1,071,704**	**497,738**	**(194,005)**	**(999)**	**1,374,438**
	2014	804,638	394,737	(127,671)	-	1,071,704
Mr Danny Peeters	**2015**	**1,909,441**	**497,738**	**(517,279)**	**(2,598)**	**1,887,302**
	2014	1,833,200	421,053	(344,812)	-	1,909,441
Mr Anthony Rozic	**2015**	**1,898,241**	**542,987**	**(506,079)**	**(2,598)**	**1,932,551**
	2014	1,810,799	421,053	(333,611)	-	1,898,241
Other senior executives						
Mr Nick Kurtis	**2015**	**1,898,241**	**542,987**	**(506,079)**	**(2,598)**	**1,932,551**
	2014	1,810,799	421,053	(333,611)	-	1,898,241
Mr Nick Vrondas	**2015**	**1,460,461**	**497,738**	**(356,189)**	**(1,800)**	**1,600,210**
	2014	1,328,829	368,421	(236,789)	-	1,460,461
Mr Jason Little	**2015**	**945,494**	**395,928**	**(197,585)**	**(999)**	**1,142,838**
	2014	760,955	315,789	(131,250)	-	945,494

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

No performance rights provided under the LTIP have been granted since the end of the financial year; however, the Committee intends to make an award under the LTIP to eligible employees in the first quarter of the financial year ending 30 June 2016. The number of performance rights intended to be awarded to each executive is set out below:

	Number of performance rights
Executive Directors	
Mr Gregory Goodman	2,000,000
Mr Philip Pearce	450,000
Mr Danny Peeters	450,000
Mr Anthony Rozic	600,000
Other senior executives	
Mr Nick Kurtis	750,000
Mr Nick Vrondas	750,000
Mr Jason Little	450,000

Remuneration report – audited (cont)

8 Other prescribed information (cont)

Movement in Goodman stapled securities

The movement during the financial year in the number of Goodman stapled securities held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Year	Held at the start of the year	Securities issued on vesting of performance rights	Acquisitions	Disposals	Held at the end of the year
Non-Executive Directors						
Mr Ian Ferrier	**2015**	**141,674**	**-**	**17,635**	**-**	**159,309**
	2014	122,495	-	19,179	-	141,674
Mr Philip Fan	**2015**	**17,103**	**-**	**42,360**	**-**	**59,463**
	2014	9,443	-	7,660	-	17,103
Mr John Harkness	**2015**	**89,369**	**-**	**3,297**	**-**	**92,666**
	2014	79,974	-	9,395	-	89,369
Ms Anne Keating	**2015**	**64,033**	**-**	**-**	**-**	**64,033**
	2014	64,033	-	-	-	64,033
Ms Rebecca McGrath	**2015**	**14,336**	**-**	**6,059**	**-**	**20,395**
	2014	7,506	-	6,830	-	14,336
Mr Phillip Pryke	**2015**	**108,232**	**-**	**-**	**-**	**108,232**
	2014	108,232	-	-	-	108,232
Mr Jim Sloman	**2015**	**77,745**	**-**	**5,499**	**-**	**83,244**
	2014	70,830	-	6,915	-	77,745
Executive Directors						
Mr Gregory Goodman	**2015**	**45,583,572**	**828,624**	**-**	**(4,935,273)**	**41,476,923**
	2014	45,079,982	503,590	-	**-**	45,583,572
Mr Philip Pearce	**2015**	**164,798**	**194,005**	**-**	**(180,000)**	**178,803**
	2014	37,127	127,671	-	**-**	164,798
Mr Danny Peeters	**2015**	**679,624**	**517,279**	**-**	**(300,000)**	**896,903**
	2014	584,812	344,812	-	(250,000)	679,624
Mr Anthony Rozic	**2015**	**333,611**	**506,079**	**-**	**(300,000)**	**539,690**
	2014	-	333,611	-	**-**	333,611
Other senior executives						
Mr Nick Kurtis	**2015**	**247,202**	**506,079**	**3,902**	**(239,850)**	**517,333**
	2014	3,591	333,611	500	(90,500)	247,202
Mr Nick Vrondas	**2015**	**279,848**	**356,189**	**-**	**(336,037)**	**300,000**
	2014	43,059	236,789	-	**-**	279,848
Mr Jason Little	**2015**	**-**	**197,585**	**-**	**-**	**197,585**
	2014	64,583	131,250	-	**(195,833)**	-

Remuneration report – audited (cont)

8 Other prescribed information (cont)

Movement in hybrid securities issued by Goodman PLUS Trust

Two of the executives hold, directly or beneficially, hybrid securities issued by Goodman PLUS Trust.

At 30 June 2015, Anthony Rozic held 1,000 units (2014: 1,000 units) and Mr Nick Vrondas held 120 units (2014: 120 units) in hybrid securities issued by Goodman PLUS Trust. There were no movements during the financial year in the number of securities held by those executives, including their related parties.

None of the Non-Executive Directors or other executives had any interests in hybrid securities issued by Goodman PLUS Trust.

Transactions with Directors, executives and their related entities

There are no other transactions with Directors, executives and their related entities.

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 the Consolidated Entity has complied with those obligations during the financial year and that there has not been any material breach.

Disclosure in respect of any indemnification and insurance of officers and auditors

Pursuant to the Constitution of the Consolidated Entity, current and former directors and officers of the Consolidated Entity are entitled to be indemnified. Deeds of Indemnity have been executed by the Consolidated Entity, consistent with the Constitution, in favour of each Director. The Deed indemnifies each Director to the extent permitted by law for liabilities (other than legal costs) incurred in their capacity as a director of the Consolidated Entity or a controlled entity and, in respect of legal costs, for liabilities incurred in defending or resisting civil or criminal proceedings.

Goodman has insured to the extent permitted by law, current and former directors and officers of the Consolidated Entity in respect of liability and legal expenses incurred in their capacity as a director or officer. As it is prohibited under the terms of the contract of insurance, the Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid.

The auditors of the Consolidated Entity are not indemnified by the Consolidated Entity or covered in any way by this insurance in respect of the audit.

Non-audit services

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

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

Details of the amounts paid to KPMG and its related practices for the audit and non-audit services provided during the financial year to the Company and its controlled entities and amounts paid to other auditors for the statutory audit are set out in note 24 to the consolidated financial statements.

Qualifications, experience and special responsibilities of Directors and Company Secretary

Board of Directors

Mr Ian Ferrier, AM – Independent Chairman
Member of the Audit Committee and Remuneration and Nomination Committee
Appointed 1 September 2003; Tenure 11 years, 10 months

Ian was appointed Chairman on 28 July 2009 (having been Acting Chairman from 28 November 2008). Ian is a Fellow of Chartered Accountants Australia and New Zealand and has in excess of 40 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of Reckon Limited (a director since August 2004) and a director of EnergyOne Limited (since January 2007). He was formerly the Chairman of InvoCare Limited (from March 2001 to October 2013) and Australian Vintage Ltd from March 1991 to May 2015.

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

Mr Gregory Goodman – Group Chief Executive Officer
Appointed 7 August 1998; Tenure 16 years, 11 months

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

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

Mr Philip Fan – Independent Director
Member of the Audit Committee and Risk and Compliance Committee
Appointed 1 December 2011; Tenure 3 years, 7 months

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

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

Mr John Harkness – Independent Director
Chairman of the Audit Committee and Risk and Compliance Committee
Appointed 23 February 2005; Tenure 10 years, 4 months

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

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

Board of Directors (cont)

Ms Anne Keating – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed 23 February 2005; Tenure 10 years, 4 months

Anne has 20 years of experience as a director of public companies. She is currently a director of REVA Medical, Inc. (since October 2010), GI Dynamics, Inc. (since June 2011) and The Garvan Institute of Medical Research. Anne is also the Chairman of Houlihan Lokey Australia Pty Ltd a private global investment bank based in Los Angeles. Anne was formerly a director of ClearView Wealth Limited (November 2010 to October 2012) as well as Spencer Street Station Redevelopment Holdings Limited, Insurance Australia Group Limited, STW Limited and Ardent Leisure Group (March 1998 to September 2014).

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

Ms Rebecca McGrath – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed 3 April 2012; Tenure 3 years, 3 months

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

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

Mr Philip Pearce – Managing Director, Greater China
Appointed 1 January 2013; Tenure 2 years, 6 months

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

Philip is a director and/or representative of the Consolidated Entity's Greater China subsidiaries, management companies and funds. Philip holds a Bachelor of Commerce and Graduate Diploma in Finance and Investment.

Mr Danny Peeters – Executive Director, Corporate
Appointed 1 January 2013; Tenure 2 years, 6 months

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

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

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

Board of Directors (cont)

Mr Phillip Pryke – Independent Director
Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
Appointed 13 October 2010; Tenure 4 years, 9 months

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

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

Mr Anthony Rozic – Deputy Chief Executive Officer
Appointed 1 January 2013; Tenure 2 years, 6 months

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

Anthony is also a director of the Consolidated Entity's subsidiaries and was recently responsible for establishing the Consolidated Entity's investment into the United States where he continues to be actively involved operationally.

Mr Jim Sloman, OAM – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed 1 February 2006; Tenure 9 years, 5 months

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

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

Company Secretary

Mr Carl Bicego – Company Secretary
Appointed 24 October 2006

Carl is the Company Secretary of the Company and its Australian controlled entities, as well as Legal Counsel – Head of Corporate in Australia. He has over 17 years of legal experience in corporate law and joined Goodman from law firm Allens Arthur Robinson in 2006. Carl holds a Masters of Laws and Bachelor of Economics/Bachelor of Laws (Hons).

Events subsequent to balance date

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

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The Group Chief Executive Officer and Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of the Consolidated Entity for the year ended 30 June 2015 have been properly maintained and the financial report for the year ended 30 June 2015 complies with accounting standards and presents a true and fair view of the Consolidated Entity's financial condition and operational results. This statement is required annually.

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

The lead auditor's independence declaration is set out on page 40 and forms part of this Directors' report for the financial year.

Rounding

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

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

Ian Ferrier, AM
Independent Chairman

Sydney, 13 August 2015

Gregory Goodman
Group Chief Executive Officer

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Goodman Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

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

KPMG

John Teer
Partner

Sydney

13 August 2015

Goodman Limited and its Controlled Entities
Consolidated statement of financial position
as at 30 June 2015

		Consolidated	
		2015	2014
	Note	$M	$M
Current assets			
Cash	17(a)	746.5	359.9
Receivables	7	344.8	354.7
Inventories	6(b)	364.3	121.1
Current tax receivables	5(c)	13.6	9.1
Other financial assets	13	4.4	0.1
Other assets		13.8	15.1
Total current assets		**1,487.4**	**860.0**
Non-current assets			
Receivables	7	45.7	66.2
Inventories	6(b)	1,067.4	1,009.0
Investment properties	6(b)	2,906.0	2,532.9
Investments accounted for using the equity method	6(b)	4,508.8	3,855.6
Deferred tax assets	5(d)	16.7	11.6
Other financial assets	13	234.8	116.3
Plant and equipment		17.5	19.2
Intangible assets	10	976.4	932.7
Other assets		1.6	0.4
Total non-current assets		**9,774.9**	**8,543.9**
Total assets		**11,262.3**	**9,403.9**
Current liabilities			
Payables	8	371.4	318.1
Current tax payables	5(c)	42.9	48.4
Provisions	9	207.1	190.8
Other financial liabilities	13	50.5	0.8
Total current liabilities		**671.9**	**558.1**
Non-current liabilities			
Payables	8	100.8	109.3
Interest bearing liabilities	12	2,707.9	2,160.5
Deferred tax liabilities	5(d)	5.6	4.0
Provisions	9	52.7	38.6
Other financial liabilities	13	347.3	303.0
Total non-current liabilities		**3,214.3**	**2,615.4**
Total liabilities		**3,886.2**	**3,173.5**
Net assets		**7,376.1**	**6,230.4**
Equity attributable to Goodman Limited (GL)			
Issued capital	16(a)	471.1	461.2
Reserves	18	(508.8)	(279.8)
Retained earnings	19	398.7	14.9
Total equity attributable to GL		**361.0**	**196.3**
Equity attributable to Goodman Industrial Trust (GIT) (non-controlling interests)			
Issued capital	16(a)	6,842.3	6,774.1
Reserves	18	272.9	(1,133.5)
Accumulated losses	19	(1,338.5)	(720.9)
Total equity attributable to GIT		**5,776.7**	**4,919.7**
Equity attributable to Goodman Logistics (HK) Limited (GLHK) (non-controlling interests)			
Issued capital	16(a)	622.8	611.6
Reserves	18	103.5	82.8
Retained earnings	19	186.3	94.2
Total equity attributable to GLHK		**912.6**	**788.6**
Total equity attributable to Securityholders		**7,050.3**	**5,904.6**
Other non-controlling interests	20	325.8	325.8
Total equity		**7,376.1**	**6,230.4**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.
To conform with the current year's presentation, certain prior year comparatives have been reclassified (refer to notes 7, 8 and 13).

Goodman Limited and its Controlled Entities
Consolidated income statement
for the year ended 30 June 2015

		Consolidated	
		2015	**2014**
	Note	**$M**	**$M**
Revenue			
Gross property income		206.1	207.7
Management income		215.3	205.5
Development income	2	763.7	767.6
Distributions from investments		-	2.0
		1,185.1	**1,182.8**
Property and development expenses			
Property expenses		(59.4)	(60.1)
Development expenses	2	(619.0)	(579.8)
		(678.4)	**(639.9)**
Other income			
Net gain from fair value adjustments on investment properties	6(e)	515.9	48.6
Net gain on disposal of investment properties		7.8	1.0
Net gain on disposal of controlled entities	2	33.3	-
Share of net results of equity accounted investments	2	614.1	445.2
Net gain on disposal of equity investments	2	0.4	1.4
		1,171.5	**496.2**
Other expenses			
Employee expenses	2	(144.8)	(132.7)
Share based payments expense	2	(51.0)	(32.0)
Administrative and other expenses		(76.2)	(74.0)
Impairment losses	2	(28.2)	(14.4)
		(300.2)	**(253.1)**
Profit before interest and tax		**1,378.0**	**786.0**
Net finance income/(expense)			
Finance income	11	59.8	21.8
Finance expense	11	(187.6)	(116.1)
Net finance expense		**(127.8)**	**(94.3)**
Profit before income tax		**1,250.2**	**691.7**
Income tax expense	5	(21.0)	(13.0)
Profit for the year		**1,229.2**	**678.7**
Profit attributable to GL	19	219.9	120.5
Profit attributable to GIT (non-controlling interests)	19	903.3	454.0
Profit attributable to GLHK (non-controlling interests)	19	84.8	82.8
Profit attributable to Securityholders		**1,208.0**	**657.3**
Profit attributable to other non-controlling interests		21.2	21.4
Profit for the year		**1,229.2**	**678.7**
Basic profit per security (¢)	3	**69.2**	**38.2**
Diluted profit per security (¢)	3	**67.1**	**37.5**

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

Goodman Limited and its Controlled Entities
Consolidated statement of comprehensive income
for the year ended 30 June 2015

		Consolidated	
		2015	**2014**
	Note	**$M**	**$M**
Profit for the year		**1,229.2**	**678.7**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit superannuation funds	18(e)	(9.1)	(1.9)
Effect of foreign currency translation	18(e)	(2.8)	(2.0)
		(11.9)	**(3.9)**
Items that are or may be reclassified subsequently to profit or loss			
Decrease due to revaluation of other financial assets	18(a)	(0.1)	(0.5)
Cash flow hedges:			
- Change in value of financial instruments	18(b)	0.8	0.8
- Transfers from cash flow hedge reserve	18(b)	4.1	2.4
Effect of foreign currency translation	18	207.1	119.9
		211.9	**122.6**
Other comprehensive income for the year, net of income tax		**200.0**	**118.7**
Total comprehensive income for the year		**1,429.2**	**797.4**
Total comprehensive income attributable to GL		129.3	46.0
Total comprehensive income attributable to GIT		1,169.4	642.7
Total comprehensive income attributable to GLHK		109.3	87.3
Total comprehensive income attributable to Securityholders		**1,408.0**	**776.0**
Total comprehensive income attributable to other non-controlling interests		21.2	21.4
Total comprehensive income for the year		**1,429.2**	**797.4**

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

Goodman Limited and its Controlled Entities
Consolidated statement of changes in equity
for the year ended 30 June 2015

Year ended 30 June 2014

Consolidated		Attributable to Securityholders					
		Issued capital	Reserves	Accumulated losses	Total	Other non-controlling interests	Total equity
	Note	$M	$M	$M	$M	$M	$M
Balance at 1 July 2013		**7,804.8**	**(1,654.5)**	**(646.1)**	**5,504.2**	**331.5**	**5,835.7**
Total comprehensive income for the year							
Profit for the year	19, 20	-	-	657.3	**657.3**	21.4	**678.7**
Other comprehensive income for the year, net of income tax		-	118.7	-	**118.7**	-	**118.7**
Total comprehensive income for the year, net of income tax		**-**	**118.7**	**657.3**	**776.0**	**21.4**	**797.4**
Transfers		-	177.6	(177.6)	**-**	-	**-**
Contributions by and distributions to owners							
- Distribution reinvestment plan	16(a)	42.2	-	-	**42.2**	-	**42.2**
- Issue costs due to stapled securities	16(a)	(0.1)	-	-	**(0.1)**	-	**(0.1)**
- Dividends/distributions declared on stapled securities	15	-	-	(445.4)	**(445.4)**	-	**(445.4)**
- Distributions paid on Goodman PLUS	20	-	-	-	**-**	(27.1)	**(27.1)**
- Equity settled share based payments expense recognised in the income statement	2	-	27.7	-	**27.7**	-	**27.7**
Balance at 30 June 2014		**7,846.9**	**(1,330.5)**	**(611.8)**	**5,904.6**	**325.8**	**6,230.4**

Year ended 30 June 2015

Consolidated		Attributable to Securityholders					
		Issued capital	Reserves	Accumulated losses	Total	Other non-controlling interests	Total equity
	Note	$M	$M	$M	$M	$M	$M
Balance at 1 July 2014		**7,846.9**	**(1,330.5)**	**(611.8)**	**5,904.6**	**325.8**	**6,230.4**
Total comprehensive income for the year							
Profit for the year	19, 20	-	-	1,208.0	**1,208.0**	21.2	**1,229.2**
Other comprehensive income for the year, net of income tax		-	200.0	-	**200.0**	-	**200.0**
Total comprehensive income for the year, net of income tax		**-**	**200.0**	**1,208.0**	**1,408.0**	**21.2**	**1,429.2**
Transfers		-	961.4	(961.4)	**-**	-	**-**
Contributions by and distributions to owners							
- Distribution reinvestment plan	16(a)	89.4	-	-	**89.4**	-	**89.4**
- Issue costs due to stapled securities	16(a)	(0.1)	-	-	**(0.1)**	-	**(0.1)**
- Distributions declared on stapled securities	15	-	-	(388.3)	**(388.3)**	-	**(388.3)**
- Distributions paid on Goodman PLUS	20	-	-	-	**-**	(21.2)	**(21.2)**
- Equity settled share based payments expense recognised in the income statement	2	-	36.7	-	**36.7**	-	**36.7**
Balance at 30 June 2015		**7,936.2**	**(132.4)**	**(753.5)**	**7,050.3**	**325.8**	**7,376.1**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes. For an analysis of equity attributable to shareholders of Goodman Limited, equity attributable to unitholders in Goodman Industrial Trust (non-controlling interests) and equity attributable to shareholders of Goodman Logistics (HK) Limited (non-controlling interests), refer to notes 16, 18 and 19.

Goodman Limited and its Controlled Entities
Consolidated cash flow statement
for the year ended 30 June 2015

	Note	**Consolidated 2015 $M**	**Consolidated 2014 $M**
Cash flows from operating activities			
Property income received		213.9	218.4
Cash receipts from development activities		983.3	902.4
Other cash receipts from services provided		245.7	229.1
Property expenses paid		(65.1)	(65.5)
Payments for development activities		(951.5)	(855.5)
Other cash payments in the course of operations		(230.9)	(239.3)
Distributions/dividends received from equity accounted investments		511.6	248.0
Interest received		13.9	14.9
Finance costs paid		(34.9)	(43.2)
Net income taxes paid		(31.3)	(4.9)
Net cash provided by operating activities	17(b)	**654.7**	**404.4**
Cash flows from investing activities			
Proceeds from disposal of investment properties		62.5	15.6
Proceeds from disposal of controlled entities, net of cash disposed		234.2	-
Proceeds from disposal of equity investments		-	279.3
Payments for controlled entities, net of cash acquired		-	(0.6)
Payments for equity investments		(382.3)	(456.7)
Payments for investment properties		(58.4)	(63.3)
Payments for plant and equipment		(3.8)	(2.8)
Net cash used in investing activities		**(147.8)**	**(228.5)**
Cash flows from financing activities			
Issue costs due to stapled securities		(0.1)	(0.1)
Net cash flows from loans to related parties		2.6	(19.2)
Proceeds from borrowings		460.5	422.1
Repayments of borrowings		(279.0)	(535.2)
Dividends/distributions paid		(304.3)	(329.0)
Net cash used in financing activities		**(120.3)**	**(461.4)**
Net increase/(decrease) in cash held		386.6	(285.5)
Cash at the beginning of the year		359.9	645.4
Cash at the end of the year	17(a)	**746.5**	**359.9**

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

Non-cash transactions are included in note 17(c).

Basis of preparation

1 Basis of preparation

Goodman Limited (Company or Parent Entity) is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2015 comprises the Company and its controlled entities (together Goodman or Consolidated Entity) and Goodman's interests in associates and joint ventures (JVs).

(a) Statement of compliance

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

The consolidated financial report is presented in Australian dollars and was authorised for issue by the Directors on 13 August 2015.

(b) Basis of preparation of the consolidated financial report

The stapling of the Company, GIT and GLHK was implemented on 22 August 2012. Shares in the Company, units in GIT and CHESS Depositary Interests (CDIs) over shares in GLHK are 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 stapling of the Company, GIT and GLHK, the Company is identified as having acquired control over the assets of GIT and GLHK. The issued units of GIT and shares of GLHK are not owned by the Company and are presented as non-controlling interests in the Consolidated Entity. Accordingly, the equity in the nets assets of both GIT and GLHK has been separately identified in the statement of financial position and the profit or loss arising from those net assets has been separately identified in the income statement.

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

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

(c) Foreign currency translation

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

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

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

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

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve. On cessation of operations in a foreign region, the cumulative exchange differences relating to the operations in that region, that have been included in the foreign currency translation reserve, are reclassified to profit or loss.

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

Basis of preparation (cont)

1 Basis of preparation (cont)

(c) Foreign currency translation (cont)

Exchange rates used

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

	Weighted average		As at 30 June	
Australian dollars (AUD) to	**2015**	**2014**	**2015**	**2014**
New Zealand dollars (NZD)	1.0755	1.1064	1.1381	1.0772
Hong Kong dollars (HKD)	6.4869	7.1215	5.9739	7.3034
Chinese yuan (CNY)	5.1748	5.6362	4.7784	5.8461
Japanese yen (JPY)	95.5310	92.7775	94.1320	95.4520
Euros (EUR)	0.6959	0.6770	0.6910	0.6883
British pounds sterling (GBP)	0.5304	0.5652	0.4903	0.5511
United States dollars (USD)	0.8366	0.9183	0.7708	0.9424
Brazilian real (BRL)	2.2299	2.1008	2.3930	2.0820

(d) Changes in accounting policy

The AASB has issued new standards and amendments to standards that are first effective for the current accounting period of the Consolidated Entity. There are no significant changes in accounting policies for the current financial year.

(e) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, the following Australian Accounting Standards were available for early adoption but have not been applied in preparing these financial statements:

+ revisions to AASB 9 Financial Instruments include requirements for the classification and measurement of financial assets and replace AASB 139 Financial Instruments: Recognition and Measurement. The revised AASB 9 Financial Instruments will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard; and
+ AASB 15 Revenue from Contracts with Customers provides a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The new standard will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard.

(f) Rounding

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

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

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

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

+ Note 6 – Property assets;
+ Note 10 – Intangible assets; and
+ Note 14 – Financial risk management.

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

Basis of preparation (cont)

1 Basis of preparation (cont)

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

Measurement of fair values

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

When measuring the fair value of an asset or a liability, the Consolidated Entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy and have been defined as follows:
+ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
+ Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
+ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in the following notes:
+ Note 6 – Property assets; and
+ Note 14 – Financial risk management.

Results for the year

2 Profit before income tax

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

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

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

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

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

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

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

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

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

Results for the year (cont)

2 Profit before income tax (cont)

Employee expenses

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

Bonus
A liability is recognised in other payables and accruals for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for bonuses are expected to be settled within 12 months and are measured at the amounts expected to be paid, including related on-costs, when they are settled.

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

Superannuation

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

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

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

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

Results for the year (cont)

2 Profit before income tax (cont)

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

		Consolidated	
		2015	2014
	Note	$M	$M
Development activities			
Income from disposal of inventories		358.1	200.4
Net gain on disposal of special purpose development entities		23.3	21.4
Other development income		382.3	545.8
Development income		**763.7**	**767.6**
Inventory cost of sales		(339.8)	(167.4)
Other development expenses		(279.2)	(412.4)
Development expenses		**(619.0)**	**(579.8)**
Equity accounted investments			
Share of net results of investments in associates			
- Operating results after tax (before revaluations)	6(f)(i)	299.6	236.9
- Fair value adjustments attributable to investment properties	6(f)(i)	182.9	121.6
- Fair value adjustments on derivative financial instruments	6(f)(i)	7.1	(8.1)
Share of net results of investments in JVs			
- Operating results after tax (before revaluations)	6(f)(ii)	85.9	80.6
- Fair value adjustments attributable to investment properties	6(f)(ii)	39.1	16.6
- Fair value adjustments on derivative financial instruments	6(f)(ii)	(0.5)	(2.4)
Share of net results of equity accounted investments		**614.1**	**445.2**
Disposal of equity investments			
Net consideration from disposal of equity investments[1]		0.4	276.7
Carrying value of equity investments disposed		-	(275.5)
Gain on dilution of investment in associate	6(f)(i)	-	0.2
Net gain on disposal of equity investments		**0.4**	**1.4**
Disposal of controlled entites			
Net consideration received and receivable from the disposal of controlled entities	21	228.8	-
Carrying value of net assets disposed	21	(195.5)	-
Net gain on disposal of controlled entities		**33.3**	**-**
Employee expenses			
Wages, salaries and on costs		(134.6)	(123.7)
Annual and long service leave		(2.5)	(1.4)
Superannuation costs		(7.7)	(7.6)
Employee expenses		**(144.8)**	**(132.7)**
Share based payments			
Equity settled share based payments expense		(36.7)	(27.7)
Cash settled share based payments expense		(7.5)	(2.6)
Other share based payments related costs		(6.8)	(1.7)
Share based payments expense		**(51.0)**	**(32.0)**
Amortisation and depreciation			
Amortisation of leasehold improvements		(1.2)	(0.5)
Depreciation of plant and equipment		(5.4)	(5.7)
Amortisation and depreciation		**(6.6)**	**(6.2)**
Impairment losses			
Impairment of receivables		(1.1)	(4.0)
Impairment of inventories		(15.1)	(5.1)
Impairment of equity accounted investments	6(f)(ii)	-	(0.1)
Impairment of other financial assets		(12.0)	(5.2)
Impairment losses		**(28.2)**	**(14.4)**

1. In the prior financial year, the Consolidated Entity disposed of units in Goodman Australia Industrial Fund (GAIF) for consideration of $53.1 million, GJCF for consideration of $31.9 million, GELF for consideration of $168.4 million and Colworth Science Park for consideration of $22.4 million.

Results for the year (cont)

3 Profit per security

Basic profit per security is calculated by dividing the profit or loss attributable to the Securityholders by the weighted average number of securities outstanding during the year. Diluted profit per security is determined by adjusting the profit or loss attributable to the Securityholders and weighted average number of securities outstanding for all dilutive potential securities, which comprise performance rights issued under the LTIP and securities contingently issuable on conversion of hybrid securities.

Under Australian Accounting Standards, the issued units of GIT and the CDIs over the shares of GLHK are presented as non-controlling interests and as a consequence the Directors are also required to present a profit per share and a diluted profit per share based on Goodman Limited's profit attributable to the Shareholders, which excludes the profit attributable to GIT and GLHK.

Details of these calculations are set out below:

	2015	2014
	¢	¢
Profit per security		
Basic profit per security	69.2	38.2
Diluted profit per security	67.1	37.5
Profit per Company share		
Basic profit per Company share	12.6	7.0
Diluted profit per Company share	12.1	6.9

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

	Note	2015 $M	2014 $M
Profit per security			
Profit after tax used in calculating basic profit per security	19	1,208.0	657.3
Distribution on Goodman PLUS		21.2	-
Profit after tax used in calculating diluted profit per security		**1,229.2**	**657.3**
Profit per Company share			
Profit after tax used in calculating basic profit per Company share	19	219.9	120.5
Impact on conversion of Goodman PLUS		1.9	-
Profit after tax used in calculating diluted profit per Company share		**221.8**	**120.5**

(b) Weighted average number of securities

	2015	2014
	Number of securities	
Weighted average number of securities/shares used in calculating basic profit per security/per Company share	**1,745,301,730**	**1,720,979,521**
Effect of performance rights on issue	34,946,851	30,634,950
Effect of issue of securities to Goodman PLUS holders	52,270,189	-
Weighted average number of securities/shares used in calculating diluted profit per security/Company share	**1,832,518,770**	**1,751,614,471**

Results for the year (cont)

4 Segment reporting

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

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

The activities and services undertaken by the divisions include:

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

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

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

Results for the year (cont)

4 Segment reporting (cont)

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Income statement	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
External revenues												
Gross property income	183.3	175.4	5.1	3.3	9.5	11.2	8.2	17.8	-	-	206.1	207.7
Management income	86.5	85.2	67.3	60.9	38.6	36.2	19.7	23.2	3.2	-	215.3	205.5
Development income	233.5	232.1	42.6	42.3	370.1	362.4	111.5	125.3	6.0	5.5	763.7	767.6
Distributions from investments	-	-	-	-	-	2.0	-	-	-	-	-	2.0
Total external revenues	**503.3**	**492.7**	**115.0**	**106.5**	**418.2**	**411.8**	**139.4**	**166.3**	**9.2**	**5.5**	**1,185.1**	**1,182.8**
Reportable segment profit before tax	**415.3**	**382.6**	**157.0**	**146.8**	**127.5**	**111.5**	**99.7**	**103.5**	**8.4**	**3.9**	**807.9**	**748.3**
Share of net results of equity accounted investments												
Operating results (excluding fair value adjustments)	178.3	149.8	77.7	65.6	42.2	35.8	77.4	58.7	9.9	7.6	385.5	317.5
Fair value adjustments - not included in reportable segment profit/(loss)	113.5	67.7	76.1	61.7	23.6	(2.8)	15.4	1.1	-	-	228.6	127.7
Other material non-cash items not included in reportable segment profit/(loss) before tax												
Net gain/(loss) from fair value adjustments on investment properties	546.1	62.2	-	-	(18.8)	-	(11.4)	(13.6)	-	-	515.9	48.6
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Statement of financial position	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Reportable segment assets	**5,303.6**	**4,458.4**	**1,727.7**	**1,327.1**	**1,577.0**	**1,472.8**	**1,391.5**	**1,524.0**	**414.3**	**271.9**	**10,414.1**	**9,054.2**
Non-current assets	5,085.8	4,313.3	1,564.8	1,085.0	1,500.5	1,371.0	968.5	1,381.2	402.5	270.5	9,522.1	8,421.0
Included in reportable segment assets are:												
Investment properties	2,816.5	2,210.5	-	-	52.7	87.7	36.8	234.7	-	-	2,906.0	2,532.9
Investments accounted for using the equity method	2,092.3	1,909.9	1,146.7	798.0	536.9	476.9	338.3	406.8	394.6	264.0	4,508.8	3,855.6
Reportable segment liabilities	**185.9**	**141.3**	**36.3**	**52.7**	**47.9**	**62.4**	**65.0**	**50.5**	**20.4**	**50.2**	**355.5**	**357.1**

Results for the year (cont)

4 Segment reporting (cont)

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

	2015 $M	2014 $M
Revenues		
Total revenue for reportable segments	1,185.1	1,182.8
Consolidated revenues	**1,185.1**	**1,182.8**
Profit or loss		
Total profit before tax for reportable segments	**807.9**	**748.3**
Corporate expenses not allocated to reportable segments	(90.8)	(86.4)
Operating profit before net interest and income tax expense	**717.1**	**661.9**
Valuation and other adjustments not included in reportable segment profit before tax:		
- Net gain from fair value adjustments on investment properties	515.9	48.6
- Impairment losses	(28.2)	(14.4)
- Fair value adjustments relating to associates and JVs	228.6	127.7
- Share based payments expense	(51.0)	(32.0)
- Net capital losses not distributed	(5.2)	(1.3)
- Straight lining of rental income	0.8	(4.5)
Profit before interest and tax	**1,378.0**	**786.0**
Net finance expense - refer to note 11	(127.8)	(94.3)
Consolidated profit before income tax	**1,250.2**	**691.7**
Assets		
Assets for reportable segments	10,414.1	9,054.2
Other unallocated amounts	848.2	349.7
Consolidated total assets	**11,262.3**	**9,403.9**
Liabilities		
Liabilities for reportable segments	355.5	357.1
Interest bearing liabilities	2,707.9	2,160.5
Provisions for distributions to Securityholders	194.6	178.8
Other unallocated amounts	628.2	477.1
Consolidated total liabilities	**3,886.2**	**3,173.5**

Results for the year (cont)

5 Income tax

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

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

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

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

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

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

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

	Consolidated	
	2015	**2014**
	$M	**$M**
Current tax expense recognised in the income statement		
Current year	(23.6)	(15.1)
Adjustment for current tax in prior periods	1.8	1.2
	(21.8)	**(13.9)**
Deferred tax benefit recognised in the income statement		
Origination and reversal of temporary differences	0.8	0.9
	0.8	**0.9**
Total income tax expense	**(21.0)**	**(13.0)**

Results for the year (cont)

5 Income tax (cont)

	Consolidated 2015 $M	Consolidated 2014 $M
(a) Income tax expense		
Profit before income tax	1,250.2	691.7
Prima facie income tax expense calculated at 30% (2014: 30%) on the profit before income tax	(375.1)	(207.5)
Decrease/(increase) in income tax due to:		
- Profit attributable to Unitholders	267.0	151.5
- Current year losses for which no deferred tax asset was recognised	(39.5)	(24.6)
- Non-(deductible)/assessable impairment losses and fair value movements	(13.7)	4.5
- Non-assessable amounts from share of results of equity accounted investments	31.2	22.0
- Non-deductible share based payments expense	(16.4)	(9.7)
- Other non-assessable items	2.6	14.9
- Utilisation of previously unrecognised tax losses	112.5	27.1
- Difference in overseas tax rates	8.4	0.6
- Adjustment for current tax in prior periods	1.8	1.2
- Other items	0.2	7.0
Income tax expense	**(21.0)**	**(13.0)**

	Consolidated 2015 $M	Consolidated 2014 $M
(b) Deferred tax benefit/(liability) recognised directly in equity		
Due to actuarial losses/(gains) on defined benefit funds	2.0	(0.7)
	2.0	**(0.7)**

	Consolidated 2015 $M	Consolidated 2014 $M
(c) Net income tax payable		
Net balance at the beginning of the year	(39.3)	(36.0)
Decrease/(increase) in current net tax payable due to:		
- Net income taxes paid	28.8	4.9
- Current tax expense	(21.8)	(13.9)
- Other	3.0	5.7
Net balance at the end of the year	**(29.3)**	**(39.3)**
Current tax receivables	13.6	9.1
Current tax payables	(42.9)	(48.4)
	(29.3)	**(39.3)**

(d) Deferred tax assets and liabilities

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

	Net		Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014	2015	2014
Consolidated	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Investment properties	(78.0)	-	-	-	(78.0)	-
Receivables	(4.7)	(4.0)	-	-	(4.7)	(4.0)
Tax losses	84.0	3.7	84.0	3.7	-	-
Payables	0.8	0.8	0.8	0.8	-	-
Provisions	9.0	6.4	9.0	6.4	-	-
Other items	-	0.7	0.9	0.7	(0.9)	-
Tax assets/(liabilities)	**11.1**	**7.6**	**94.7**	**11.6**	**(83.6)**	**(4.0)**
Set off of tax	-	-	(78.0)	-	78.0	-
Net tax assets/(liabilities)	**11.1**	**7.6**	**16.7**	**11.6**	**(5.6)**	**(4.0)**

Deferred tax assets of $284.0 million in relation to tax losses have not been recognised by the Consolidated Entity at 30 June 2015 (2014: $199.1 million).

Operating assets and liabilities

6 Property assets

(a) Types of property assets

Goodman's investment in property assets includes both inventories and investment properties, which may be held either directly or through its investments in managed partnerships (both associates and JVs).

Inventories

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

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

Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

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 fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

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

Investment property carrying values include the costs of acquiring the properties and subsequent costs of development, including costs of all materials used in construction, costs of managing the project, holding costs and borrowing costs incurred during the development period.

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

Direct expenditure associated with leasing a property is capitalised within investment property values and amortised over the term of the lease.

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

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

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

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

Operating assets and liabilities (cont)

6 Property assets (cont)

(b) Summary of Goodman's investment in property assets

		Consolidated	
		2015	2014
	Note	$M	$M
Inventories			
Current	6(d)	364.3	121.1
Non-current	6(d)	1,067.4	1,009.0
		1,431.7	**1,130.1**
Investment properties			
Stabilised investment properties		2,709.6	2,190.7
Investment properties under development		196.4	342.2
	6(e)	**2,906.0**	**2,532.9**
Investments accounted for using the equity method			
Associates	6(f)(i)	3,195.3	2,851.1
JVs	6(f)(ii)	1,313.5	1,004.5
		4,508.8	**3,855.6**
Total property assets		**8,846.5**	**7,518.6**

(c) Estimates and assumptions in determining property carrying values

Inventories

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

Investment properties

Stabilised investment properties

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

Approach to determination of fair value
The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in managed partnerships.

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

External valuations are undertaken only where market segments were observed to be active. In making the determination of whether a market segment is active, the following characteristics are considered:
+ function of the asset (distribution/warehouse or suburban office);
+ location of asset (city, suburb or regional area);
+ carrying value of the asset (categorised by likely appeal to private (including syndicates), national and institutional investors); and
+ categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

Operating assets and liabilities (cont)

6 Property assets (cont)

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

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

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

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

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

	Total portfolio weighted average capitalisation rate	
	2015	**2014**
Division	**%**	**%**
Australia	**7.3**	7.7
New Zealand	**7.5**	7.9
Hong Kong	**6.0**	6.0
China	**8.5**	8.4
Japan	**5.1**	5.4
Logistics - Continental Europe	**6.8**	7.5
Logistics - United Kingdom	**7.6**	8.9
Business Parks - United Kingdom	**6.8**	8.0

During the current financial year, the fair values of 94% (2014: 67%) of these stabilised investment properties held directly by Goodman (by reference to carrying value) were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued.

For Goodman's investments in managed partnerships, typically 100% of the stabilised investment property portfolios are valued by an independent valuer in each financial year.

Investment properties under development

External valuations are generally not performed for investment properties under development held directly by the Consolidated Entity, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions to determine capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location and size of the development and is generally in a market range of 3% to 16%.

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

Operating assets and liabilities (cont)

6 Property assets (cont)

(d) Inventories

	Consolidated 2015 $M	Consolidated 2014 $M
Current		
Land and development properties	364.3	121.1
	364.3	**121.1**
Non-current		
Land and development properties	1,067.4	1,009.0
	1,067.4	**1,009.0**

During the financial year, impairments of $15.1 million (2014: $5.1 million) were recognised to write down development land to net realisable value.

During the financial year, borrowing costs of $63.3 million (2014: $29.5 million) previously capitalised into the carrying value of inventories were expensed to the income statement on disposal of the inventories.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	Consolidated 2015 $M	Consolidated 2014 $M
Carrying amount at the beginning of the year	2,532.9	2,405.9
Capital expenditure	105.2	65.8
Disposals:		
- Carrying value of properties sold	(61.9)	(13.8)
- On disposal of interests in controlled entities	(200.6)	-
Transfers from inventories	3.9	-
Net gain from fair value adjustments	515.9	48.6
Effect of foreign currency translation	10.6	26.4
Carrying amount at the end of the year	**2,906.0**	**2,532.9**
Analysed as by segment:		
Australia and New Zealand	2,816.5	2,210.5
Continental Europe	52.7	87.7
United Kingdom	36.8	234.7
	2,906.0	**2,532.9**

Operating assets and liabilities (cont)

6 Property assets (cont)

(e) Investment properties (cont)

Other information regarding directly held investment properties

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see notes 1(g) and 6(a)). The majority of Goodman's directly held investment properties are in Australia, including assets in Sydney, NSW that have been rezoned for residential mixed use. These sites have seen a significant value uplift during the year as a result of the change in zoning, with the valuations of these sites determined by reference to comparable sales data, as summarised in the table below:

Valuation technique	Significant unobservable input	2015	2014
Direct comparison	Rate per residential unit site	$100,000 to $300,000	n/a

For Goodman's remaining investment properties in Australia, the valuation technique used in measuring the fair value, as well as the values assumed for the significant unobservable inputs are summarised in the table below:

Valuation technique	Significant unobservable inputs	2015	2014
Income capitalisation	Range of net market rents (per square metre per annum)	$42 to $300	$50 to $235
	Capitalisation rate (weighted average)	7.30%	7.64%

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

The Consolidated Entity leases out investment properties under operating leases. The weighted average lease expiry of Goodman's directly held investment properties in Australia is 3.8 years. On expiry, the terms are renegotiated. None of the leases includes contingent rentals. Further details on non-cancellable operating lease commitments receivable from investment property customers are shown in the table below:

Non-cancellable operating lease commitments receivable from investment property customers

	Consolidated	
	2015	2014
	$M	$M
Non-cancellable operating lease commitments receivable:		
- Within one year	141.0	153.2
- One year or later and no later than five years	387.3	382.9
- Later than five years	242.5	149.7
	770.8	**685.8**

Operating assets and liabilities (cont)

6 Property assets (cont)

(f) Investments accounted for using the equity method

Investments accounted for using the equity method comprise of associates and JVs, which are collectively referred to by Goodman as "managed partnerships".

Associates

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

JVs

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

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

(i) Investments in associates

The Consolidated Entity's associates are set out below:

		Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name of associate	**Country of establishment**	**2015 $M**	**2014 $M**	**2015 %**	**2014 %**	**2015 $M**	**2014 $M**
Property investment							
Goodman Australia Industrial Fund (GAIF)	Australia	**148.3**	114.1	**27.5**	27.5	**1,025.3**	943.9
Goodman Trust Australia (GTA)	Australia	**68.8**	53.7	**19.9**	19.9	**479.4**	412.4
Goodman Property Trust (GMT)[1]	New Zealand	**32.0**	21.6	**18.0**	17.6	**223.0**	210.9
Goodman Hong Kong Logistics Fund (GHKLF)	Cayman Islands	**83.6**	68.8	**20.0**	20.0	**575.0**	409.4
Goodman Japan Core Fund (GJCF)[2]	Japan	**19.5**	8.2	**22.4**	23.8	**163.2**	114.0
Goodman European Logistics Fund (GELF)	Luxembourg	**45.8**	30.5	**20.4**	20.4	**415.3**	374.6
Arlington Business Parks Partnership (ABPP)	United Kingdom	**91.6**	53.5	**43.1**	43.1	**314.1**	385.9
		489.6	**350.4**			**3,195.3**	**2,851.1**

1. GMT is listed on the New Zealand Stock Exchange (NZX). The market value of the Consolidated Entity's investment in GMT at 30 June 2015 using the quoted price on the last day of trading was $226.9 million (2014: $210.7 million). Goodman is assessed to have significant influence over the operations of GMT despite only owning 18.0% (2014: 17.6%) of its issued equity as it operates as fund manager and is the largest unitholder in GMT with the rest of the units widely held.
2. Reflects the weighted average ownership interest in GJCF.

Operating assets and liabilities (cont)

6 Property assets (cont)

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

(i) Investments in associates (cont)

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

	Consolidated	
Movement in carrying amount of associates	**2015 $M**	**2014 $M**
Carrying amount at the beginning of the year	2,851.1	2,688.0
Share of net results after tax (before revaluations)	299.6	236.9
Share of fair value adjustments attributable to investment properties	182.9	121.6
Share of fair value adjustments on derivative financial instruments	7.1	(8.1)
Share of net results	489.6	350.4
Share of movements in reserves	0.4	0.3
Gain on dilution of investment	-	0.2
Transfers to investments in JVs	-	(68.0)
Acquisitions	94.5	242.0
Disposals	-	(251.7)
Capital return	(2.8)	(4.9)
Distributions received	(361.7)	(155.7)
Effect of foreign currency translation	124.2	50.5
Carrying amount at the end of the year	**3,195.3**	**2,851.1**

Operating assets and liabilities (cont)

6 Property assets (cont)

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

(i) Investments in associates (cont)

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

	GAIF		GTA		GMT		GHKLF		GJCF[2]		GELF		ABPP	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Summarised statement of financial position														
Total current assets	436.3	46.3	380.3	39.1	11.6	11.0	46.0	161.7	117.5	66.1	348.5	134.4	51.6	328.3
Total non-current assets	5,534.1	5,607.3	3,231.7	3,322.3	1,995.4	2,002.5	3,813.9	2,695.0	1,262.9	951.5	3,202.1	3,064.8	1,139.1	1,276.2
Total current liabilities	528.1	154.7	238.0	237.4	72.9	12.7	85.1	66.0	18.6	28.3	117.1	124.4	50.4	410.8
Total non-current liabilities	1,788.7	2,140.8	1,129.0	1,202.1	703.1	813.8	905.8	748.5	632.9	509.2	1,399.2	1,240.0	411.8	297.9
Net assets (100%)	**3,653.6**	**3,358.1**	**2,245.0**	**1,921.9**	**1,231.0**	**1,187.0**	**2,869.0**	**2,042.2**	**728.9**	**480.1**	**2,034.3**	**1,834.8**	**728.5**	**895.8**
Consolidated ownership interest	27.5%	27.5%	19.9%	19.9%	18.0%	17.6%	20.0%	20.0%	22.4%	23.8%	20.4%	20.4%	43.1%	43.1%
Consolidated share of net assets	1,005.8	924.4	447.2	382.8	221.5	208.5	573.8	408.4	163.2	114.0	414.3	373.6	313.8	385.9
Capitalised costs	2.8	2.8	-	-	1.5	2.4	1.2	1.0	-	-	1.0	1.0	0.3	-
Distributions receivable[1]	16.7	16.7	32.2	29.6	-	-	-	-	-	-	-	-	-	-
Carrying amount of investment	**1,025.3**	**943.9**	**479.4**	**412.4**	**223.0**	**210.9**	**575.0**	**409.4**	**163.2**	**114.0**	**415.3**	**374.6**	**314.1**	**385.9**
Summarised statement of comprehensive income														
Revenue	473.6	468.6	321.8	284.6	143.2	121.6	200.0	166.6	175.4	57.9	226.0	202.0	166.1	149.5
Profit after tax and revaluations	538.7	413.9	345.3	269.5	171.7	109.5	417.8	379.2	92.6	39.6	221.1	144.0	212.7	115.9
Other comprehensive income	0.5	-	(0.4)	3.4	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (100%)	**539.2**	**413.9**	**344.9**	**272.9**	**171.7**	**109.5**	**417.8**	**379.2**	**92.6**	**39.6**	**221.1**	**144.0**	**212.7**	**115.9**
Distributions received by the Consolidated Entity	**67.0**	**63.8**	**30.1**	**27.1**	**13.1**	**12.0**	**15.6**	**17.9**	**5.1**	**2.3**	**28.6**	**32.6**	**202.2**	**-**

1. Distributions receivable relate to distributions provided for but not paid by the associates at 30 June 2015. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.
2. Reflects the weighted average ownership interest in GJCF.

Operating assets and liabilities (cont)

6 Property assets (cont)

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

(ii) Investments in JVs

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

		Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name of JV	**Country of establishment/ incorporation**	**2015 $M**	**2014 $M**	**2015 %**	**2014 %**	**2015 $M**	**2014 $M**
Property investment							
KWASA Goodman Industrial Trust (KGIT)	Australia	**24.5**	17.1	**40.0**	40.0	**199.6**	189.4
Goodman Australia Development Fund (GADF)	Australia	**17.8**	8.7	**20.0**	20.0	**73.3**	59.0
Goodman China Logistics Holding Limited (GCLH)	China	**15.8**	17.0	**20.0**	20.0	**329.1**	179.9
KWASA Goodman Germany (KGG)	Luxembourg	**9.4**	2.2	**30.0**	30.0	**64.8**	50.0
Property development							
Goodman Japan Development Partnership (GJDP)	Japan	**34.9**	33.3	**50.0**	50.0	**79.3**	94.7
Goodman North America Partnership (GNAP)	USA	**8.8**	(0.3)	**55.0**	55.0	**252.0**	153.1
Other JVs		**13.3**	16.8			**315.4**	278.4
		124.5	**94.8**			**1,313.5**	**1,004.5**

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

	Consolidated	
Movement in carrying amount of JVs	**2015 $M**	**2014 $M**
Carrying amount at the beginning of the year	1,004.5	555.1
Share of net results after tax (before revaluations)	85.9	80.6
Share of fair value adjustments attributable to investment properties	39.1	16.6
Share of fair value adjustments on derivative financial instruments	(0.5)	(2.4)
Share of net results	124.5	94.8
Share of movements in reserves	0.2	-
Impairment	-	(0.1)
Transfers from investments in associates	-	68.0
Reclassification of loan to related party[1]	-	110.6
Acquisitions	258.3	320.8
Disposals	(0.3)	(23.8)
Transfer on reclassification as a controlled entity	-	(1.8)
Capital return	(32.1)	(2.5)
Distributions/dividends received	(115.0)	(105.9)
Effect of foreign currency translation	73.4	(10.7)
Carrying amount at the end of the year	**1,313.5**	**1,004.5**

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

Operating assets and liabilities (cont)

6 Property assets (cont)

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

(ii) Investments in JVs (cont)

The table below includes further information regarding the Consolidated Entity's principal JVs at the end of the financial year:

	KGIT		GADF		GCLH		KGG		GJDP		GNAP	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Summarised statement of financial position												
Current assets												
Cash and cash equivalents	1.1	4.4	1.0	0.7	276.6	92.7	15.3	8.8	37.3	32.3	38.0	16.3
Other current assets	1.8	3.4	80.8	1.6	15.0	7.5	1.8	2.4	1.0	0.5	27.2	20.2
Total current assets	**2.9**	**7.8**	**81.8**	**2.3**	**291.6**	**100.2**	**17.1**	**11.2**	**38.3**	**32.8**	**65.2**	**36.5**
Total non-current assets	**793.2**	**764.9**	**349.6**	**368.4**	**1,815.9**	**1,022.2**	**391.8**	**311.3**	**302.5**	**305.6**	**406.8**	**248.5**
Current liabilities	**6.1**	**12.3**	**15.5**	**4.5**	**102.1**	**59.1**	**5.5**	**4.2**	**19.6**	**0.9**	**21.6**	**13.1**
Non-current liabilities												
Financial liabilities	298.4	297.0	61.9	82.7	294.2	134.5	181.8	153.9	164.4	-	0.5	-
Other non-current liabilities	4.1	1.3	-	0.2	75.0	48.9	5.7	-	2.4	152.3	-	0.3
Total non-current liabilities	**302.5**	**298.3**	**61.9**	**82.9**	**369.2**	**183.4**	**187.5**	**153.9**	**166.8**	**152.3**	**0.5**	**0.3**
Net assets (100%)	**487.5**	**462.1**	**354.0**	**283.3**	**1,636.2**	**879.9**	**215.9**	**164.4**	**154.4**	**185.2**	**449.9**	**271.6**
Consolidated ownership interest	40.0%	40.0%	20.0%	20.0%	20.0%	20.0%	30.0%	30.0%	50.0%	50.0%	55.0%	55.0%
Consolidated share of net assets	195.0	184.8	70.8	56.7	327.2	176.0	64.8	49.3	77.2	92.6	247.4	149.4
Capitalised costs	4.5	4.6	1.6	1.6	1.9	3.9	-	0.7	2.1	2.1	4.6	3.7
Distributions receivable[1]	0.1	-	0.9	0.7	-	-	-	-	-	-	-	-
Carrying amount of investment	**199.6**	**189.4**	**73.3**	**59.0**	**329.1**	**179.9**	**64.8**	**50.0**	**79.3**	**94.7**	**252.0**	**153.1**
Summarised statement of comprehensive income												
Revenue	71.6	68.5	17.7	22.4	67.6	42.8	24.6	11.7	305.7	293.2	0.7	-
Interest income	0.1	0.1	0.1	-	0.8	0.2	-	-	-	-	-	-
Interest expense	(12.5)	(13.5)	(3.8)	(3.7)	(0.1)	(5.6)	(5.2)	(2.6)	-	-	(0.1)	-
Income tax expense	-	-	-	-	(20.7)	(4.0)	(5.2)	(0.7)	0.1	-	-	-
Profit/(loss) after tax and revaluations	61.2	42.7	89.0	43.5	79.1	95.8	34.2	7.2	69.8	66.8	16.0	(0.4)
Total comprehensive income (100%)	**61.2**	**42.7**	**89.0**	**43.5**	**79.1**	**95.8**	**34.2**	**7.2**	**69.8**	**66.8**	**16.0**	**(0.4)**
Distributions/dividends received by the Consolidated Entity	**14.4**	**13.9**	**13.8**	**3.0**	**0.2**	**0.7**	**4.3**	**0.8**	**73.1**	**82.6**	**30.9**	**-**

1. Distributions receivable relate to distributions provided for but not paid by the JVs at 30 June 2015. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.

For other JVs, the total profit after tax and revaluations is $63.5 million (2014: $36.2 million) and other comprehensive income is $nil (2014: $nil).

Operating assets and liabilities (cont)

7 Receivables

Receivables comprise trade and other receivables and loans to related parties and are recognised on the date that they are originated, initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

The Consolidated Entity derecognises a receivable when the contractual rights to the cash flows from the receivable expire or it transfers the rights to receive the contractual cash flows on the receivable in a transaction in which substantially all the risks and rewards of the receivable are transferred.

Impairment
The carrying amounts of receivables are assessed at each balance date to determine whether there is any indication of impairment. If such indication exists, the receivable is written down to the present value of the estimated future cash flows discounted at the original effective interest rate. The impairment is recognised in profit or loss in the reporting period in which it occurs.

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

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

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.

		Consolidated	
		2015	2014
	Note	$M	$M
Current			
Trade receivables		55.7	54.1
Other receivables		247.3	174.3
Amounts due from related parties	22	36.0	126.3
Loans to related parties	22	5.8	-
		344.8	**354.7**
Non-current			
Loans to related parties	22	43.0	31.9
Other receivables		2.7	34.3
		45.7	**66.2**

1. In relation to the comparative period, derivative financial instruments of $103.3 million have been reclassified from receivables to other financial assets (refer to note 13). The Directors have determined that it would be more appropriate to classify the Consolidated Entity's derivative financial instruments as a component of other financial assets rather than receivables.

Operating assets and liabilities (cont)

8 Payables

Trade and other payables are recognised initially at trade date fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost.

The Consolidated Entity derecognises trade and other payables when the contractual obligations are discharged or cancelled or expire.

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

	Consolidated	
	2015	**2014**
	$M	**$M**
Current		
Trade payables	49.5	53.4
Other payables and accruals	321.9	264.7
	371.4	**318.1**
Non-current		
Other payables and accruals	100.8	109.3
	100.8	**109.3**

1. In relation to the comparative period, derivative financial instruments of $303.8 million have been reclassified from payables to other financial liabilities (refer to note 13). The Directors have determined that it would be more appropriate to classify the Consolidated Entity's derivative financial instruments as a component of other financial liabilities rather than payables. Furthermore, in relation to the comparative period, the liability of $52.7 million associated with certain short-term employee benefits has been reclassified from provisions to payables to conform with the current year's presentation of the financial statements.

9 Provisions

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

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

		Consolidated	
		2015	**2014**
	Note	**$M**	**$M**
Current			
Distributions to Securityholders	15(b)	194.6	178.8
Onerous contracts		3.5	3.5
Rental guarantee		-	0.4
Employee benefits		9.0	8.1
		207.1	**190.8**
Non-current			
Onerous contracts		7.6	8.0
Rental guarantee		2.6	1.3
Employee benefits		2.6	2.6
Net defined benefit superannuation fund		39.9	26.7
		52.7	**38.6**

Operating assets and liabilities (cont)

10 Goodwill and intangible assets

The Consolidated Entity recognises both goodwill and indefinite life management rights in its statement of financial position.

Goodwill
Goodwill arising on the acquisition of controlled entities is stated at cost less any accumulated impairment losses (refer below). No amortisation is provided.

Management rights
When the Consolidated Entity acquires fund and/or asset management activities as part of a business combination, management rights are recorded where they arise from contractual or other legal rights, and the fair value can be measured reliably.

Management rights are stated at cost less impairment. The Consolidated Entity's management rights are not amortised as they are assumed to have an indefinite life given they are routinely renewed at minimal cost.

Impairment
The carrying amounts of the Consolidated Entity's goodwill and management rights are tested annually for impairment. For the purpose of impairment testing, goodwill and management rights are allocated to the related cash-generating units monitored by management. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Recoverable amount is the greater of the fair value (net of disposal costs) and the value in use but given that goodwill and management rights are not frequently traded (i.e. fair value is difficult to ascertain), the recoverable amount will be equal to the value in use of the cash-generating unit. 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 cash generating unit (further details are provided on page 72).

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the goodwill allocated to the cash-generating unit, then to the carrying amount of the management rights allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. An impairment loss for management rights is reversed only to the extent that its carrying amount does not exceed its original cost.

A summary of the Consolidated Entity's goodwill and intangible assets are set out by below:

	Consolidated	
	2015 $M	**2014 $M**
Goodwill	672.1	661.8
Management rights	304.3	270.9
	976.4	**932.7**

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

Carrying amounts	**2015 $M**	**2014 $M**
Goodwill		
Japan	14.9	14.7
Continental Europe - Logistics	550.3	552.5
United Kingdom - Logistics	100.4	89.3
North America	6.5	5.3
Subtotal - goodwill	**672.1**	**661.8**
Management rights		
New Zealand	6.0	6.3
Hong Kong	26.3	21.5
China	35.3	28.9
Continental Europe - Logistics	31.3	31.5
United Kingdom - Business Parks	205.4	182.7
Subtotal - management rights	**304.3**	**270.9**
Total	**976.4**	**932.7**

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

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

Cost	Balance at 1 July 2013 $M	Disposals $M	Effect of foreign currency translation $M	Balance at 30 June 2014 $M	Effect of foreign currency translation $M	Balance at 30 June 2015 $M
Goodwill						
Japan	15.2	-	(0.5)	14.7	0.2	14.9
Continental Europe - Logistics	542.7	-	16.7	559.4	(2.2)	557.2
Continental Europe - Business Parks	6.7	-	0.2	6.9	-	6.9
United Kingdom - Logistics	117.3	-	11.9	129.2	16.0	145.2
North America	5.4	-	(0.1)	5.3	1.2	6.5
Subtotal - goodwill	**687.3**	**-**	**28.2**	**715.5**	**15.2**	**730.7**
Management rights						
New Zealand	5.7	-	0.6	6.3	(0.3)	6.0
Hong Kong	22.2	-	(0.7)	21.5	4.8	26.3
China	29.4	-	(0.5)	28.9	6.4	35.3
Continental Europe - Logistics	30.6	-	0.9	31.5	(0.2)	31.3
Continental Europe - Business Parks	10.0	-	0.3	10.3	-	10.3
United Kingdom - Business Parks	172.0	-	17.5	189.5	23.5	213.0
United Kingdom - Science Parks	14.6	(16.1)	1.5	-	-	-
Subtotal - management rights	**284.5**	**(16.1)**	**19.6**	**288.0**	**34.2**	**322.2**
Total	**971.8**	**(16.1)**	**47.8**	**1,003.5**	**49.4**	**1,052.9**

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

Impairment losses	Balance at 1 July 2013 $M	Disposals $M	Effect of foreign currency translation $M	Balance at 30 June 2014 $M	Effect of foreign currency translation $M	Balance at 30 June 2015 $M
Goodwill						
Continental Europe - Logistics	6.7	-	0.2	6.9	-	6.9
Continental Europe - Business Parks	6.7	-	0.2	6.9	-	6.9
United Kingdom - Logistics	36.2	-	3.7	39.9	4.9	44.8
Subtotal - goodwill	**49.6**	**-**	**4.1**	**53.7**	**4.9**	**58.6**
Management rights						
Continental Europe - Business Parks	10.0	-	0.3	10.3	-	10.3
United Kingdom - Business Parks	6.2	-	0.6	6.8	0.8	7.6
United Kingdom - Science Parks	14.6	(16.1)	1.5	-	-	-
Subtotal - management rights	**30.8**	**(16.1)**	**2.4**	**17.1**	**0.8**	**17.9**
Total	**80.4**	**(16.1)**	**6.5**	**70.8**	**5.7**	**76.5**

There have been no impairment losses or reversals of impairment losses during the financial year (2014: $nil).

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

Impairment testing for intangible assets

The carrying values of both goodwill and indefinite life management rights are assessed for impairment annually. For the purpose of impairment testing, goodwill and indefinite life management rights are allocated to the Goodman divisions that represent the lowest level within Goodman at which the goodwill and indefinite life management rights are monitored for internal management purposes. Where goodwill and management rights arise in the same division, impairment testing has been performed on the combined intangible asset.

The impairment tests for all intangible assets are based on each division's value in use. Value in use is determined by discounting the future cash flows generated from continuing operations. These cash flows are based on both fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and the division's discount rate.

The estimation of future cash flows requires assumptions to be made regarding uncertain future events. The cash flows associated with management rights require management to make assumptions regarding the period over which the future fee income streams continue to be received, the likelihood of renewal at minimal cost of contractual agreements to manage funds, and the future financial performance of the managed partnerships which generate those future fee income streams. The cash flows associated with goodwill are often similar to management rights but may also include cash flows from other development activities undertaken by the businesses acquired.

One of the key assumptions in relation to the impairment testing for each intangible asset balance is that the Consolidated Entity's management contracts are assessed to have an indefinite life given that these contracts are routinely renewed at minimal cost and on broadly similar financial terms.

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

All amounts are calculated in local currency and translated to Australian dollars at the closing exchange rate at the end of the financial period. Averages relate to average amounts over the five year forecast period:

		Continental Europe - Logistics	United Kingdom - Logistics	United Kingdom - Business Parks
Value in use (A$M)[1]	**2015**	**802.2**	**266.0**	**221.1**
	2014	641.9	119.4	189.8
Pre-tax discount rate (pa)[2]	**2015**	**10.6%**	**12.8%**	**8.9%**
	2014	12.6%	14.5%	9.8%
Average annual development (million square metres)	**2015**	**0.74**	**0.22**	**0.02**
	2014	0.70	0.18	0.03
Average annual growth in assets under management (AUM)[3]	**2015**	**8.1%**	**84.8%**	**9.5%**
	2014	9.7%	46.2%	3.5%
Total performance fees (A$M)	**2015**	**-**	**-**	**21.1**
	2014	-	-	19.8
Average annual increase in operating expenses	**2015**	**3.2%**	**2.0%**	**(10.1%)**
	2014	9.2%	1.7%	-

1. When assessing a potential impairment, the value in use is compared against the sum of the intangible asset balance and the plant and equipment balance for each division. The value in use balance is translated at the foreign currency exchange rate as at the end of the financial period.
2. A risk premium is included in each division's discount rate, reflecting the level of forecasting, size, country and financing risks for that division. The decrease in the pre-tax discount rates is primarily due to the decrease in the risk free rates during the year.
3. AUM growth rate is highest in United Kingdom – Logistics, which reflects the fact that the initial portfolios contain a low number of completed properties and the AUM is augmented by completed developments over the forecast period.

For the Logistics divisions, the key driver of value in use is the level of and profitability of ongoing development activity. For United Kingdom - Business Parks, the key driver is the level of management income, which is primarily dependent on the level of AUM. While the AUM is also important for the Logistics divisions as they do receive management and development income from managed partnerships, it is not the key driver of value.

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

Impairment testing for intangible assets (cont)

Discount rates
The post-tax discount rates are determined using the capital asset pricing model, with individual assumptions referenced to market data, where available, and adjusting for specific factors associated with each division. A risk premium is included in each division's discount rate, reflecting the level of forecasting, size, country and financing risks for that division. The value in use is determined using the after-tax cash flows and the post-tax discount rates, with the discount rates then converted to the equivalent pre-tax rates.

Development activity and margins

Development activity is most significant for Continental Europe - Logistics and United Kingdom - Logistics. Demand for modern, well located industrial product in both Continental Europe and the United Kingdom continues to be driven by customers' desire to adopt more efficient distribution methods. Earnings forecasts for each division include projects which have not yet been contracted. The majority of developed product is expected to be sold to Goodman's managed partnerships by Goodman although sales to third parties are also assumed.

Margins from development activity are assumed to be consistent with those achieved historically.

Specific development assumptions included in the five year forecasts

(a) Continental Europe – Logistics
The forecasts assume the annual development starts (by area) over the five year period range between 0.7 million square metres and 0.8 million square metres, with 0.8 million square metres assumed in year five, consistent with historical performance. The estimated total cash outflow (from Goodman and its managed partnerships) required to finance the assumed development pipeline across the forecast period is A$0.6 billion per annum.

(b) United Kingdom – Logistics
Investor demand remains strong for well-let assets and development activity has increased during the year as the availability of "ready to occupy" facilities has declined, with supply especially limited in core locations.

The division's development activity over the next five years is forecast to be maintained at the existing levels of 0.2 million square metres per annum (on average). The estimated cash outflow (from Goodman and its managed partnerships) required to finance the assumed development pipeline across the forecast period is on average A$0.3 billion to A$0.4 billion per annum.

(c) United Kingdom – Business Parks
Until the fund renewal date in 2017, any development will be limited to the core business parks that are most suited to both pre-committed and speculative development. Subsequent to the fund renewal, the forecasts assume that development activity will increase with the build out of the existing land bank being supplemented by other development opportunities. Development commencements in the fund are expected to normalise at 0.02 million square metres per annum, on average.

Sources of funding for development activity

The forecast models assume that capital continues to be available to the principal managed partnerships by Goodman in order that they can fund acquisitions of property (complete or under development), development management services and other property services provided by Goodman.

Capital inflows required to fund development activity in each division are assumed to arise from the following sources: equity investment directly into managed partnerships (including distribution reinvestment plans) from private and public markets; the creation of new partnerships or other investment structures involving Goodman; lending facilities (general term facilities or construction financing facilities) advanced to Goodman and/or equity investors; debt capital markets; turnkey developments; and proceeds from rotation of assets. It is not practicable to determine the percentage of the total which will flow from each source.

Funds available to Goodman and potential equity investors are assumed to be sourced from available global markets and are not limited to lending markets in the regions to which the relevant intangible asset relates.

The downturn in earnings resulting from a combination of the Consolidated Entity's capital preservation strategies and severe adverse conditions in certain markets experienced between 2008 and 2009 is assumed not to recur in the foreseeable property cycle.

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

Impairment testing for intangible assets (cont)

AUM

For Continental Europe – Logistics, the average annual increase in AUM of 8.1% (2014: 9.7%) over the forecast period is broadly consistent with the prior year forecasts and is a result of the ongoing development activity, albeit this is partly offset by the selective rotation of assets. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

For United Kingdom – Logistics, the forecasts assume that over the next five years, the division will increase its AUM from £31.0 million to approximately £670.0 million, as a result of the creation of a new UK partnership and the forecast increase in development activity. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

For United Kingdom – Business Parks, the level of AUM is a key driver of the value in use. During the financial year, the investors have capitalised on the strong investment demand in the United Kingdom, with asset disposals in ABPP decreasing AUM to £0.5 billion. If this market continues, then management anticipates a further rationalisation of the ABPP portfolio in the period until the fund renewal date in 2017. Subsequent to 2017, capital is forecast to be available for both selective acquisitions and the development of the remaining land bank, which in the long-term will see AUM return to over £800 million.

Performance fees

Performance fee revenue has been assumed in the United Kingdom - Business Parks division. The performance fee is based on the assumption that property valuations and transactional activity drive returns that are in line with or better than the IPD UK property index.

Operating expenses

Operating expenses in Continental Europe – Logistics and United Kingdom – Logistics are forecast to increase over the forecast period by an average of 3.2% per annum and 2.0% per annum respectively as the divisions increase AUM.

For United Kingdom – Business Parks, there is a decrease in operating expenses associated with fund management activities, consistent with the short-term decrease in AUM. This is facilitated by the outsourcing of property management services. Over the forecast period, it is anticipated that property acquisitions and developments will focus on core locations in order that costs can be appropriately controlled.

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

Impairment testing for intangible assets (cont)

Assumptions impacting the terminal year

		Continental Europe - Logistics	United Kingdom - Logistics	United Kingdom - Business Parks
Growth rate (pa)[1]	**2015**	**0.2%**	**1.9%**	**1.9%**
	2014	1.7%	3.1%	3.1%
Development in terminal year (million square metres)	**2015**	**0.80**	**0.22**	**0.03**
	2014	0.80	0.22	0.03
Development in terminal year (cost in A$B)[2]	**2015**	**0.67**	**0.32**	**0.10**
	2014	0.70	0.28	0.09

1. Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five year forecast.
2. The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within managed partnerships.

Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five year forecast. For Continental Europe, the growth rate has been estimated using the weighted average (based on value of AUM) of the current consumer price index for each of the countries in which the division operates. The decrease compared to the prior year reflects the low growth environment across the Eurozone. For the United Kingdom, the growth rate is based on an average of the consumer price index over the past five years, and similarly has declined over the past year.

The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within managed partnerships. The cost of developments in Australian dollars is relatively stable, although lower costs in Continental Europe reflect the existing low levels of inflation.

The AUM in the terminal year is most relevant for the United Kingdom – Business Parks value in use calculation. The terminal year AUM of £840 million is higher than the current AUM of £563 million but below levels experienced over the past five years. The forecasts assume that the recurring development activity supplemented by on-market acquisitions will allow AUM to increase to and subsequently be maintained at this forecast level.

Sensitivity analysis

The table below shows the potential impairment as a result of changes in certain key assumptions:

		Continental Europe - Logistics $M	United Kingdom - Logistics $M	United Kingdom - Business Parks $M
Increase in discount rate by 100 bps[1]	**2015**	**-**	**-**	**-**
	2014	-	-	(0.7)
10% decrease in development revenues in each year	**2015**	**-**	**-**	**-**
	2014	(24.2)	-	(3.2)
10% decrease in property values in each year	**2015**	**-**	**-**	**-**
	2014	-	-	(2.5)
25% reduction in performance fees in each year	**2015**	**-**	**-**	**(1.4)**
	2014	-	-	(1.8)

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

A six month delay in development starts and a 5% increase in operating costs across the forecast period does not result in potential impairments for both the current and prior years.

A further sensitivity has been applied for United Kingdom – Business Parks to illustrate the impact on value in use of a reduction in AUM in year five. If the AUM in year five was decreased from £840 million to £740 million, then the value in use would decrease to £99.1 million (A$202.1 million) resulting in an impairment of £1.5 million (A$2.8 million).

Capital management

11 Net finance expense

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

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

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

	Consolidated	
	2015	**2014**
	$M	**$M**
Finance income		
Interest income from:		
- Related parties	2.7	2.7
- Other parties	3.5	5.1
Fair value adjustments on derivative financial instruments[1]	53.6	-
Foreign exchange gain[2]	-	14.0
	59.8	**21.8**
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(117.3)	(105.1)
Other borrowing costs	(13.9)	(20.4)
Fair value adjustments on derivative financial instruments[1]	-	(82.3)
Foreign exchange loss[2]	(159.2)	-
Capitalised borrowing costs[3]	102.8	91.7
	(187.6)	**(116.1)**
Net finance expense	**(127.8)**	**(94.3)**

1. Includes both the fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted (refer to note 18(b)).
2. Includes foreign exchange loss of $160.0 million (2014: gain of $14.4 million) relating to unrealised gains/(losses) on translation of the United States senior notes (refer to note 12(c)) and the Japanese yen denominated private placement (refer to note 12(d)).
3. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 2.2% and 7.8% per annum (2014: 3.1% and 7.6% per annum).

Capital management (cont)

12 Interest bearing liabilities

Interest bearing liabilities comprise of bank loans, bonds and private placements. Interest bearing liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest rate method.

		Consolidated	
	Note	2015 $M	2014 $M
Bank loans, unsecured	12(a)	333.2	155.4
Euro medium-term notes, unsecured	12(b)	509.9	453.6
US senior notes, unsecured	12(c)	1,719.0	1,406.0
Foreign private placements, unsecured	12(d)	171.9	170.2
Borrowing costs		(26.1)	(24.7)
		2,707.9	**2,160.5**

(a) Bank loans, unsecured

			Amounts drawn down in A$M equivalents		
Facility	**Facility maturity date**	**Facility limit - A$M equivalent**	**NZD**	**JPY**	**Total**
Bank loan 1	31 Jul 2018	150.0	-	-	**-**
Bank loan 2	31 Jul 2018	149.4	147.6	-	**147.6**
Bank loan 3	31 Jul 2018	144.7	-	-	**-**
Bank loan 4	31 Jul 2018	191.7	-	-	**-**
Bank loan 5	31 Jul 2018	105.0	-	-	**-**
Bank loan 6	31 Jul 2018	43.9	35.5	-	**35.5**
Bank loan 7	31 Aug 2018	104.0	-	-	**-**
Bank loan 8	31 Aug 2018	43.9	43.9	-	**43.9**
Bank loan 9	31 Dec 2018	159.0	-	-	**-**
Bank loan 10	29 Sep 2019	85.0	-	37.1	**37.1**
Bank loan 11	29 Sep 2019	159.4	-	69.1	**69.1**
Bank loan 12	30 Sep 2019	37.5	-	-	**-**
Bank loan 13	30 Sep 2019	48.7	-	-	**-**
Total bank loans, unsecured	**at 30 Jun 2015**	**1,422.2**	**227.0**	**106.2**	**333.2**
	at 30 Jun 2014	1,296.7	155.4	-	155.4

(b) Euro medium-term notes, unsecured

As at 30 June 2015, Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A$509.9 million (2014: A$453.6 million) Euro medium-term notes. All notes were issued at a fixed coupon of 9.75% payable annually. The notes mature on 16 July 2018. The notes are listed on the Singapore Stock Exchange and the market value of the notes using the quoted price at 30 June 2015 was A$620.3 million (2014: A$566.2 million).

(c) United States senior notes, unsecured

As at 30 June 2015, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

+ A$421.6 million (US$325.0 million) maturing on 12 November 2020. The senior unsecured notes were issued at a fixed coupon of 6.375% payable semi-annually;
+ A$648.7 million (US$500.0 million) maturing on 15 April 2021. The senior unsecured notes were issued at a fixed coupon of 6.375% payable semi-annually; and
+ A$648.7 million (US$500.0 million) maturing on 22 March 2022. The senior unsecured notes were issued at a fixed coupon of 6.0% payable semi-annually.

Capital management (cont)

12 Interest bearing liabilities (cont)

(d) Foreign private placements, unsecured

As at 30 June 2015, the Consolidated Entity had the following unsecured foreign private placements:

+ A$39.1 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
+ A$132.8 million (¥12.5 billion) denominated in Japanese yen. The facility has a fixed coupon of 3.32% payable semi-annually and expires on 3 April 2023.

(e) Finance facilities

	Consolidated	
	Facilities available $M	Facilities utilised $M
At 30 June 2015		
Bank loans, unsecured	1,422.2	333.2
Euro medium-term notes, unsecured	509.9	509.9
United States senior notes, unsecured	1,719.0	1,719.0
Foreign private placements, unsecured	171.9	171.9
Bank guarantees[1]	-	30.1
	3,823.0	**2,764.1**
At 30 June 2014		
Bank loans, unsecured	1,296.7	155.4
Euro medium-term notes, unsecured	453.6	453.6
United States senior notes, unsecured	1,406.0	1,406.0
Foreign private placements, unsecured	170.2	170.2
Bank guarantees[1]	-	25.6
	3,326.5	**2,210.8**

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

Capital management (cont)

13 Other financial assets and liabilities

Other financial assets and liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

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

The Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly movements in the fair value of derivative financial instruments are recognised in the income statement.

Cash flow hedges
Certain of the Consolidated Entity's investments in associates and JVs continue to designate interest rate swaps as a cash flow hedge for accounting purposes. The Consolidated Entity's share of the effective portion of changes in the fair value of derivatives in associates and JVs that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised in the income statement.

Other financial assets

	Consolidated	
	2015	**2014**
	$M	**$M**
Current		
Derivative financial instruments	4.4	0.1
	4.4	**0.1**
Non-current		
Derivative financial instruments[1]	234.0	103.2
Investment in unlisted securities, at fair value	0.8	13.1
	234.8	**116.3**

1. Includes fair values of cross currency interest rate swaps amounting to $176.9 million (2014: $46.3 million) entered into to hedge the United States senior notes (refer to note 12(c)).
2. In relation to the comparative period, derivative financial instruments of $103.3 million have been reclassified from receivables to other financial assets (refer to note 7). The Directors have determined that it would be more appropriate to classify the Consolidated Entity's derivative financial instruments as a component of other financial assets rather than receivables.

Other financial liabilities

	Consolidated	
	2015	**2014**
	$M	**$M**
Current		
Derivative financial instruments	50.5	0.8
	50.5	**0.8**
Non-current		
Derivative financial instruments[1]	347.3	303.0
	347.3	**303.0**

1. Includes fair values of cross currency interest rate swaps amounting to $64.4 million (2014: $74.5 million) entered into to hedge the United States senior notes (refer to note 12(c)) and the Japanese yen denominated private placement (refer to note 12(d)).
2. In relation to the comparative period, derivative financial instruments of $303.8 million have been reclassified from payables to other financial liabilities (refer to note 8). The Directors have determined that it would be more appropriate to classify the Consolidated Entity's derivative financial instruments as a component of other financial liabilities rather than payables.

Capital management (cont)

14 Financial risk management

The Directors have ultimate responsibility for the Consolidated Entity's capital management and financial risk management processes and have established policies, documented in the Consolidated Entity's financial risk management (FRM) policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

The Group Investment Committee is Goodman's primary forum where recommendations regarding capital allocation and financial risk management (in accordance in the FRM policy) are discussed and approved. The Group Investment Committee meets every week during the financial year.

Goodman's treasury function is responsible for preparing the following reports for consideration at each of the Consolidated Entity's Board meetings:

+ analysis of capital allocation and funding requirements against the Consolidated Entity's gearing constraint;
+ analysis of the Consolidated Entity's liquidity and funding position;
+ analysis of the Consolidated Entity's debt maturity profile;
+ a review of all the hedge exposures and the completed hedges;
+ compliance with the Consolidated Entity's hedging policy and recommendations for future hedging strategies; and
+ full mark to market of all derivative positions.

Under the FRM policy, the Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments are marked to market, with the movement in value recognised in profit or loss.

Capital management

The Consolidated Entity's principal capital management objectives are to maintain a strong capital base and provide funds for operating activities (including development expenditure), capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt, equity and hybrid instruments.

The Consolidated Entity is able to alter the capital mix by issuing new stapled securities or hybrid securities, through the operation of a distribution reinvestment plan, adjusting the timing of development and capital expenditure and selling assets to reduce borrowings. Goodman also manages capital through its distribution policy in which distributions made to Securityholders are based on the greater of 60% of operating profit or taxable income of GIT.

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

Capital management (cont)

14 Financial risk management (cont)

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

(a) Market risk

Foreign exchange risk

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

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

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

As at 30 June 2015, the principal that is hedged, the weighted average exchange rates and the periods to expiry, by currency, are set out below:

	2015			2014		
CCIRS: AUD receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
NZD payable	**NZD'M**	**A$M**	**NZD/AUD**	**NZD'M**	**A$M**	**NZD/AUD**
2 - 5 years	**(100.0)**	**65.4**	**1.2252**	(100.0)	79.8	1.2530
	(100.0)	**65.4**		**(100.0)**	**79.8**	
HKD payable	**HKD'M**	**A$M**	**HKD/AUD**	**HKD'M**	**A$M**	**HKD/AUD**
Less than one year	**(1,050.0)**	**128.4**	**8.1868**	-	-	-
1 - 2 year(s)	**-**	**-**	**-**	(1,050.0)	128.4	8.1868
2 - 5 years	**(1,540.0)**	**204.1**	**7.5622**	(1,540.0)	204.1	7.5622
	(2,590.0)	**332.5**		**(2,590.0)**	**332.5**	
JPY payable	**JPY'M**	**A$M**	**JPY/AUD**	**JPY'M**	**A$M**	**JPY/AUD**
2 - 5 years	**(11,000.0)**	**128.0**	**86.0500**	(18,000.0)	207.6	86.7772
	(11,000.0)	**128.0**		**(18,000.0)**	**207.6**	
EUR payable	**EUR'M**	**A$M**	**EUR/AUD**	**EUR'M**	**A$M**	**EUR/AUD**
Less than one year	**(50.0)**	**69.2**	**0.7226**	-	-	-
1 - 2 year(s)	**-**	**-**	**-**	(50.0)	69.2	0.7226
2 - 5 years	**(420.0)**	**541.3**	**0.7765**	(420.0)	541.3	0.7771
	(470.0)	**610.5**		**(470.0)**	**610.5**	
GBP payable	**GBP'M**	**A$M**	**GBP/AUD**	**GBP'M**	**A$M**	**GBP/AUD**
2 - 5 years	**(170.0)**	**282.2**	**0.6035**	(170.0)	282.2	0.6035
	(170.0)	**282.2**		**(170.0)**	**282.2**	

FECs: GBP receivable Expiry by currency	**Amounts payable A$M**	**Amounts receivable GBP'M**	**Weighted average exchange rate AUD/GBP**	**Amounts payable A$M**	**Amounts receivable GBP'M**	**Weighted average exchange rate GBP/AUD**
Less than one year	**(171.1)**	**85.0**	**2.0129**	-	-	-
2 - 5 years	**(103.2)**	**50.0**	**2.0640**	-	-	-
	(274.3)	**135.0**		-	-	-

Capital management (cont)

14 Financial risk management (cont)

(a) Market risk (cont)

Foreign exchange risk (cont)

At 30 June 2015, Goodman's notes issued in the United States 144A/Reg S bond market and also foreign private placements denominated in Japanese yen create both an interest rate and a foreign currency risk exposure. Goodman's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Goodman has entered into both USD/EUR, USD/GBP and JPY/GBP CCIRS, to provide a capital hedge against assets denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

	2015			2014		
CCIRS: USD receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
EUR payable	**EUR'M**	**USD'M**	**USD/EUR**	**EUR'M**	**USD'M**	**USD/EUR**
Over 5 years	**(327.4)**	**455.0**	**0.7195**	(376.7)	525.0	0.7175
	(327.4)	**455.0**		**(376.7)**	**525.0**	
GBP payable	**GBP'M**	**USD'M**	**USD/GBP**	**GBP'M**	**USD'M**	**USD/GBP**
Over 5 years	**(132.0)**	**210.0**	**0.6286**	(166.0)	265.0	0.6263
	(132.0)	**210.0**		**(166.0)**	**265.0**	
CCIRS: JPY receivable	**Amounts payable GBP'M**	**Amounts receivable JPY'M**	**Weighted average exchange rate JPY/GBP**	**Amounts payable GBP'M**	**Amounts receivable JPY'M**	**Weighted average exchange rate JPY/GBP**
GBP payable						
Over 5 years	**(85.9)**	**11,300.0**	**0.0076**	(85.9)	11,300.0	0.0076
	(85.9)	**11,300.0**		**(85.9)**	**11,300.0**	

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2014: 5%) stronger against all other currencies, with all other variables held constant, the profit attributable to Unitholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by A$12.6 million (2014: A$11.1 million decrease). If the Australian dollar had been 5% (2014: 5%) weaker against all other currencies, with all other variables held constant, the profit attributable to Unitholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by A$12.6 million (2014: A$12.2 million increase).

Capital management (cont)

14 Financial risk management (cont)

(a) Market risk (cont)

Interest rate risk

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

As at 30 June 2015, the Consolidated Entity's interest rate risk exposure on interest bearing liabilities together with the net exposure based on the Consolidated Entity's existing derivative financial instruments are set out below:

	Interest bearing liabilities A$M	Impact of derivatives CCIRS[1] A$M	IRS A$M	Net interest rate exposure A$M
30 June 2015				
Fixed rate liabilities	2,361.7	(982.8)	762.8	2,141.7
Floating rate liabilities	372.3	1,164.8	(762.8)	774.3
	2,734.0	**182.0**	**-**	**2,916.0**
30 June 2014				
Fixed rate liabilities	1,990.6	(956.7)	1,170.3	2,204.2
Floating rate liabilities	194.6	1,119.0	(1,170.3)	143.3
	2,185.2	**162.3**	**-**	**2,347.5**

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

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

	2015		2014	
Number of years post balance date	**Fixed interest rate exposure A$M**	**Weighted average interest rate % per annum**	**Fixed interest rate exposure A$M**	**Weighted average interest rate % per annum**
1 year	2,397.9	4.95%	2,250.8	4.12%
2 years	2,388.5	5.00%	2,083.5	4.57%
3 years	2,297.6	4.94%	1,800.3	4.98%
4 years	1,538.2	3.78%	1,504.9	5.29%
5 years	1,183.2	3.84%	844.8	3.64%

Sensitivity analysis

Based on the Consolidated Entity's net interest rate exposure at 30 June 2015, if interest rates on borrowings had been 100 basis points per annum (2014: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Unitholders for the financial year would have been A$7.7 million lower/higher (2014: A$1.4 million).

Price risk

The Consolidated Entity is not exposed to price risk.

Capital management (cont)

14 Financial risk management (cont)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity to fund working capital, capital expenditure, investment opportunities, debt expiries and distributions. This is achieved through the monthly preparation of a three year cash flow forecast to understand the uses of funds and to identify potential shortfalls in funding. This allows the Consolidated Entity to plan for renewal of debt facilities, negotiation of new debt facilities, new issues of securities, including the DRP, and other potential sources of funding.

Goodman's treasury function is responsible for reporting details of all debt maturities to the Board at its regular meetings. Goodman's treasury function is also responsible for reporting to the Board all the information and term sheets relating to any financing arrangements being contemplated or negotiated by the Consolidated Entity for its review and approval.

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

Capital management (cont)

14 Financial risk management (cont)

(b) Liquidity risk (cont)

The contractual maturities of financial liabilities are set out below:

	Carrying amount $M	Contractual cash flows $M	Less than 1 year $M	1 - 2 year(s) $M	2 - 3 years $M	3 - 4 years $M	4 - 5 years $M	More than 5 years $M
As at 30 June 2015								
Non-derivative financial liabilities								
Payables	472.2	473.2	371.4	66.2	16.2	1.9	7.5	10.0
Bank loans, unsecured[1]	333.2	339.7	-	-	-	230.0	109.7	-
Euro medium-term notes, unsecured	509.9	710.8	97.7	49.9	49.9	513.3	-	-
United States senior notes, unsecured	1,719.0	2,422.8	140.6	108.6	108.6	108.6	108.9	1,847.5
Foreign private placements, unsecured	171.9	215.9	6.5	5.3	5.3	5.3	5.3	188.2
Total non-derivative financial liabilities	**3,206.2**	**4,162.4**	**616.2**	**230.0**	**180.0**	**859.1**	**231.4**	**2,045.7**
Derivative financial liabilities/(assets) - net								
Net settled[2]	22.4	11.3	4.4	5.7	(1.9)	1.8	0.8	0.5
Gross settled[3]:								
(Inflow)	-	(504.0)	(91.1)	(89.8)	(84.7)	(62.9)	(58.3)	(117.2)
Outflow	137.0	652.6	96.7	50.4	211.2	145.0	50.2	99.1
Total derivative financial liabilities/(assets) - net	**159.4**	**159.9**	**10.0**	**(33.7)**	**124.6**	**83.9**	**(7.3)**	**(17.6)**
As at 30 June 2014								
Non-derivative financial liabilities								
Payables	427.4	414.4	318.1	45.5	11.2	20.0	2.0	17.6
Bank loans, unsecured[1]	155.4	160.6	-	0.3	-	-	160.3	-
Euro medium-term notes, unsecured	453.6	677.1	86.8	44.5	44.4	44.4	457.0	-
United States senior notes, unsecured	1,406.0	2,073.3	114.9	89.1	88.9	88.9	88.9	1,602.6
Foreign private placements, unsecured	170.2	220.1	6.5	5.4	5.3	5.3	5.3	192.3
Total non-derivative financial liabilities	**2,612.6**	**3,545.5**	**526.3**	**184.8**	**149.8**	**158.6**	**713.5**	**1,812.5**
Derivative financial liabilities/(assets) - net								
Net settled[2]	46.0	47.5	20.2	11.4	6.9	4.6	1.4	3.1
Gross settled[3]:								
(Inflow)	-	(600.5)	(108.2)	(110.4)	(110.2)	(94.2)	(62.7)	(114.8)
Outflow	154.5	748.9	56.8	93.4	77.8	204.6	126.4	189.8
Total derivative financial liabilities/(assets) - net	**200.5**	**195.9**	**(31.2)**	**(5.6)**	**(25.5)**	**115.0**	**65.1**	**78.1**

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under the Consolidated Entity's revolving loan facilities.
2. Net settled includes IRS and forward foreign currency contracts.
3. Gross settled includes CCIRS.

Capital management (cont)

14 Financial risk management (cont)

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount.

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

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short-term borrowings. Concentration of credit risk exists from time to time on receivables for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is only transferred upon receipt of proceeds for the sale of those assets and typically Goodman will have either received a cash deposit or be the beneficiary of a bank guarantee for 10% to 20% of the total proceeds.

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

The credit risks associated with financial instruments are managed by:

+ transacting with multiple derivatives counterparties that have a long-term investment credit rating; and
+ utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer to note 14(d) below).

Master netting or similar agreements

The Consolidated Entity enters into derivative transactions under ISDA master netting off agreements. Under these agreements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated and a single net termination value is payable in full and final settlement.

As the Consolidated Entity does not have any current legally enforceable right to offset, the fair values associated with derivative financial instruments have been presented gross in the statement of financial position. However, if a credit event occurred, the ISDA master netting off agreement would allow A$144.5 million (2014: A$95.6 million) of financial assets and financial liabilities in relation to the Consolidated Entity's derivative financial instruments to be offset.

Capital management (cont)

14 Financial risk management (cont)

Fair values of financial instruments

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

Consolidated	Note	Carrying amount 2015 $M	Fair value 2015 $M	Carrying amount 2014 $M	Fair value 2014 $M
Financial assets					
Cash	17(a)	746.5	746.5	359.9	359.9
Receivables:	7				
- Loans and receivables		390.5	390.5	420.9	420.9
Other financial assets:	13				
- Interest rate swaps		43.0	43.0	28.6	28.6
- CCIRS		189.1	189.1	74.6	74.6
- FECs		6.3	6.3	0.1	0.1
- Investments in unlisted securities		0.8	0.8	13.1	13.1
		1,376.2	**1,376.2**	**897.2**	**897.2**
Financial liabilities					
Payables:	8				
- Trade payables and other payables and accruals		472.2	472.2	427.4	427.4
Interest bearing liabilities[1]	12	2,707.9	3,081.0	2,160.5	2,522.1
Other financial liabilities:	13				
- Interest rate swaps		71.7	71.7	74.7	74.7
- CCIRS		326.1	326.1	229.1	229.1
		3,577.9	**3,951.0**	**2,891.7**	**3,253.3**

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2015 (refer to note 12).

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method: (see note 1(g)):

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 30 June 2015				
Available for sale financial assets	-	-	0.8	0.8
Derivative financial assets	-	238.4	-	238.4
	-	**238.4**	**0.8**	**239.2**
Derivative financial liabilities	-	397.8	-	397.8
	-	**397.8**	**-**	**397.8**
As at 30 June 2014				
Available for sale financial assets	-	-	13.1	13.1
Derivative financial assets	-	103.3	-	103.3
	-	**103.3**	**13.1**	**116.4**
Derivative financial liabilities	-	303.8	-	303.8
	-	**303.8**	**-**	**303.8**

There were no transfers between the levels during the year.

Capital management (cont)

14 Financial risk management (cont)

Fair value hierarchy (cont)

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

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

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

15 Dividends and distributions

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

(a) Dividends declared by the Company

No dividends were declared or paid by Goodman Limited during the financial year ended 30 June 2015 or up to the date of this report. At 30 June 2015, there were no franking credits available to Shareholders for subsequent financial years (2014: $nil).

During the prior financial year, the Company paid a fully franked dividend of 5.2 cents per share amounting to $88.7 million relating to performance in the 2013 financial year.

(b) Distributions declared and paid/payable by GIT

	Distribution cpu	Total amount $M	Date of payment
Distributions for the current financial year			
- 31 Dec 2014	11.10	193.7	20 Feb 2015
- 30 Jun 2015	11.10	194.6	26 Aug 2015
	22.20	**388.3**	
Distributions for the prior financial year			
- 31 Dec 2013	10.35	177.9	21 Feb 2014
- 30 Jun 2014	10.35	178.8	26 Aug 2014
	20.70	**356.7**	

Movement in provision for distributions to Securityholders

	Consolidated 2015 $M	Consolidated 2014 $M
Balance at the beginning of the year	178.8	77.5
Provisions for distributions	388.3	356.7
Distributions paid	(283.1)	(213.2)
Distribution reinvestment plan	(89.4)	(42.2)
Balance at the end of the year	**194.6**	**178.8**

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

No dividends were declared or paid by Goodman Logistics (HK) Limited during the financial year ended 30 June 2015 or up to the date of this report (2014: $nil).

Capital management (cont)

16 Issued capital

(a) Ordinary securities

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

	2015	2014	2015	2014
	Number of securities		$M	$M
Stapled securities - issued and fully paid	1,753,035,922	1,727,685,976	8,096.7	8,007.3
Less: Accumulated issue costs			(160.5)	(160.4)
Total issued capital			**7,936.2**	**7,846.9**

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

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

Movement in ordinary securities

Date	Details	Number of securities	Issue price $	GL $M	GIT $M	GLHK $M	Security-holders $M
1 Jul 2013	Opening balance	1,713,233,947		468.4	6,890.0	606.7	7,965.1
2 Sep 2013	Securities issued to employees under the LTIP	5,465,002	-	-	-	-	-
27 Sep 2013	Securities issued to employees under the Goodman Tax Exempt Plan (GTEP)	43,860	-	-	-	-	-
21 Feb 2014	Distribution reinvestment plan	8,943,167	4.72	4.2	32.5	5.5	42.2
30 Jun 2014	**Balance before accumulated issue costs**	**1,727,685,976**		472.6	6,922.5	612.2	8,007.3
26 Aug 2014	Distribution reinvestment plan	8,888,516	5.11	4.5	35.3	5.6	45.4
1 Sep 2014	Securities issued to employees under the LTIP	8,843,233	-	-	-	-	-
8 Oct 2014	Securities issued to employees under the GTEP	42,336	-	-	-	-	-
20 Feb 2015	Distribution reinvestment plan	7,575,861	5.80	5.4	33.0	5.6	44.0
	Less: Accumulated issue costs			(11.4)	(148.5)	(0.6)	(160.5)
30 Jun 2015	**Closing balance**	**1,753,035,922**		**471.1**	**6,842.3**	**622.8**	**7,936.2**

Capital management (cont)

16 Issued capital (cont)

(b) Share based payments

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

At 30 June 2015, the Consolidated Entity had two share based payment schemes, the LTIP and the GTEP. In addition, a specific long-term incentive plan exists for Goodman's employees in New Zealand. Details of these schemes are set out below:

LTIP
Performance rights issued under the LTIP entitles an employee to acquire Goodman stapled securities for $nil consideration subject to the vesting conditions having been satisfied.

Under the terms of the LTIP and decisions made by the Directors in accordance with the plan, the issues of performance rights are subject to the following broad terms:

+ the exercise of 25% of the total performance rights will be conditional on the Consolidated Entity achieving a TSR in excess of that achieved by 50% of listed entities in the S&P/ASX 100 index and the exercise of 75% of the total performance rights will be conditional on the Consolidated Entity achieving an operating EPS outcome at least at the target level notified to the market over a three year 'testing period' and continued employment (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement). To the extent that the Consolidated Entity achieves the aggregate target operating EPS, 100% of the tranche will vest; to the extent the Consolidated Entity exceeds the 51^{st} percentile in TSR, there are proportionate increases in vesting of performance rights up to 100% at the 76^{th} percentile under the grants made pursuant to the rules and disclosed to the market;
+ performance rights lapse on the earlier of approximately five years from the offer or the termination of the employee's employment (unless such termination is due to special circumstances); and
+ where performance hurdles are achieved, performance rights vest in three equal tranches approximately three, four and five years after the grant date.

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

Goodman's New Zealand Long Term Incentive Plan
Under Goodman's New Zealand Long Term Incentive Plan, employees receive approximately half of their LTI in the form of performance rights over GMT units that vest subject to meeting performance hurdles based on the achievement of distributable earnings targets by GMT and the relative total unitholder return from holding GMT units compared to other NZX property vehicles. On vesting, delivery of units in GMT will be made from units held by the Consolidated Entity or acquired on market.

Capital management (cont)

16 Issued capital (cont)

(b) Share based payments (cont)

At 30 June 2015, a liability of $11.6 million (2014: $6.1 million) was recognised in relation to cash settled performance rights.

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

	Number of rights	
	2015	**2014**
Outstanding at the beginning of the year	45,681,781	38,833,152
Granted	16,751,695	14,350,673
Exercised	(9,220,982)	(5,781,340)
Forfeited	(1,100,394)	(1,720,704)
Outstanding at the end of the year	**52,112,100**	**45,681,781**
Exercisable at the end of the year	**-**	**-**

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

	Rights issued on 20 Nov 2014	**Rights issued on 9 Oct 2014**
Fair value at measurement date ($)	4.01	4.05
Security price ($)	5.45	5.50
Exercise price ($)	-	-
Expected volatility (%)	21.14	21.09
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	5.52	5.34
Average risk free rate of interest per annum (%)	3.00	3.09

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

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

Other items

17 Notes to the cash flow statement

(a) Reconciliation of cash

For the purpose of the cash flow statement, cash includes cash on hand at the bank and short-term deposits at call. Cash at the balance date as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2015 $M	2014 $M
Cash assets	**746.5**	**359.9**

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

	Consolidated	
	2015 $M	2014 $M
Profit for the year	**1,229.2**	**678.7**
Items classified as investing activities		
Net gain on disposal of investment properties	(7.8)	(1.0)
Net gain on disposal of controlled entiites	(33.3)	-
Net gain on disposal of equity investments	(0.4)	(1.4)
Non-cash items		
Amortisation and depreciation	6.6	6.2
Share based payments expense	51.0	32.0
Net gain on fair value adjustments on investment properties	(515.9)	(48.6)
Impairment losses	28.2	14.4
Share of net results of equity accounted investments	(614.1)	(445.2)
Net finance expense	127.8	94.3
Income tax expense	21.0	13.0
Operating profit before changes in working capital and provisions	**292.3**	**342.4**
Changes in assets and liabilities during the year:		
- Decrease/(increase) in receivables	134.4	(32.7)
- Increase in inventories	(257.7)	(176.8)
- Decrease in other assets	6.0	21.6
- Increase/(decrease) in payables	21.1	(3.5)
- (Decrease)/increase in provisions	(0.7)	38.6
	195.4	**189.6**
Distributions/dividends received from equity accounted investments	511.6	248.0
Net finance costs paid	(21.0)	(28.3)
Net income taxes paid	(31.3)	(4.9)
Net cash provided by operating activities	**654.7**	**404.4**

(c) Non-cash transactions

During the current financial year, the significant non-cash transactions are as follows:

+ the Consolidated Entity's distribution reinvestment plan was active for the August 2014 and February 2015 distributions. In relation to these distributions $89.4 million was in the form of stapled securities; and
+ the Consolidated Entity has received distributions of $31.7 million from GTA and GADF in the form of units in the respective fund.

In the prior financial year, the significant non-cash transactions were as follows:

+ the Consolidated Entity's distribution reinvestment plan was activated during the financial year. In relation to the distribution paid in February 2014, $42.2 million was in the form of stapled securities; and
+ the Consolidated Entity received distributions of $17.2 million from GTA, GMT and GADF in the form of units in the respective fund.

Other items (cont)

18 Reserves

		Consolidated	
		2015	2014
	Note	$M	$M
Asset revaluation reserve	18(a)	(142.8)	(1,105.7)
Cash flow hedge reserve	18(b)	(5.0)	(9.7)
Foreign currency translation reserve	18(c)	(28.7)	(257.1)
Employee compensation reserve	18(d)	78.3	64.3
Defined benefit funds actuarial losses reserve	18(e)	(34.2)	(22.3)
Total reserves		**(132.4)**	**(1,330.5)**

The reserves of the Consolidated Entity are apportioned below between the amounts Securityholders are entitled to by virtue of their shareholding in the Company, their unitholding in GIT and their CDI over shares of GLHK:

	GL		GIT		GLHK		Securityholders	
	2015	2014	2015	2014	2015	2014	2015	2014
	$M	$M	$M	$M	$M	$M	$M	$M
(a) Asset revaluation reserve								
Balance at the beginning of the year	(178.0)	(206.5)	(929.8)	(1,008.0)	2.1	(10.5)	(1,105.7)	(1,225.0)
(Decrease)/increase due to revaluation of other financial assets	(2.2)	-	2.1	(0.5)	-	-	(0.1)	(0.5)
Transfers to/from (accumulated losses)/retained earnings	(141.2)	42.0	1,132.6	138.4	(7.3)	13.0	984.1	193.4
Effect of foreign currency translation	(4.6)	(13.5)	(13.6)	(59.7)	(2.9)	(0.4)	(21.1)	(73.6)
Balance at the end of the year	**(326.0)**	**(178.0)**	**191.3**	**(929.8)**	**(8.1)**	**2.1**	**(142.8)**	**(1,105.7)**
Refer to note 6(a) for the accounting policy relating to this reserve.								
(b) Cash flow hedge reserve								
Balance at the beginning of the year	(0.1)	(0.1)	(9.6)	(12.6)	-	-	(9.7)	(12.7)
Change in value of financial instruments	-	-	0.8	0.8	-	-	0.8	0.8
Transfers to the income statement	-	-	4.1	2.4	-	-	4.1	2.4
Effect of foreign currency translation	-	-	(0.2)	(0.2)	-	-	(0.2)	(0.2)
Balance at the end of the year	**(0.1)**	**(0.1)**	**(4.9)**	**(9.6)**	**-**	**-**	**(5.0)**	**(9.7)**
Refer to note 13 for the accounting policy relating to this reserve.								
(c) Foreign currency translation reserve								
Balance at the beginning of the year	(83.5)	(26.4)	(251.1)	(497.0)	77.5	72.6	(257.1)	(450.8)
Net exchange differences on conversion of foreign operations	(71.9)	(57.1)	272.9	245.9	27.4	4.9	228.4	193.7
Balance at the end of the year	**(155.4)**	**(83.5)**	**21.8**	**(251.1)**	**104.9**	**77.5**	**(28.7)**	**(257.1)**
Refer to note 1(c) for the accounting policy relating to this reserve.								
(d) Employee compensation reserve								
Balance at the beginning of the year	4.1	2.4	57.0	49.0	3.2	1.0	64.3	52.4
Equity settled share based payments expense	25.5	17.5	7.7	8.0	3.5	2.2	36.7	27.7
Transfers to (accumulated losses)/retained earnings	(22.7)	(15.8)	-	-	-	-	(22.7)	(15.8)
Balance at the end of the year	**6.9**	**4.1**	**64.7**	**57.0**	**6.7**	**3.2**	**78.3**	**64.3**
Refer to note 16(b) for the accounting policy relating to this reserve.								
(e) Defined benefit funds actuarial losses reserve								
Balance at the beginning of the year	(22.3)	(18.4)	-	-	-	-	(22.3)	(18.4)
Actuarial losses on defined benefit superannuation funds	(9.1)	(1.9)	-	-	-	-	(9.1)	(1.9)
Effect of foreign currency translation	(2.8)	(2.0)	-	-	-	-	(2.8)	(2.0)
Balance at the end of the year	**(34.2)**	**(22.3)**	**-**	**-**	**-**	**-**	**(34.2)**	**(22.3)**
Refer to note 2 for the accounting policy relating to this reserve.								
Total reserves	**(508.8)**	**(279.8)**	**272.9**	**(1,133.5)**	**103.5**	**82.8**	**(132.4)**	**(1,330.5)**

Other items (cont)

19 (Accumulated losses)/retained earnings

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

	GL		GIT		GLHK		Securityholders	
	2015	2014	2015	2014	2015	2014	2015	2014
	$M	$M	$M	$M	$M	$M	$M	$M
Balance at the beginning of the year	14.9	9.3	(720.9)	(679.8)	94.2	24.4	(611.8)	(646.1)
Profit for the year	219.9	120.5	903.3	454.0	84.8	82.8	1,208.0	657.3
Transfers to/from asset revaluation reserve	141.2	(42.0)	(1,132.6)	(138.4)	7.3	(13.0)	(984.1)	(193.4)
Transfers from employee compensation reserve	22.7	15.8	-	-	-	-	22.7	15.8
Dividends/distributions declared	-	(88.7)	(388.3)	(356.7)	-	-	(388.3)	(445.4)
Balance at the end of the year	**398.7**	**14.9**	**(1,338.5)**	**(720.9)**	**186.3**	**94.2**	**(753.5)**	**(611.8)**

20 Other non-controlling interests

Goodman has issued hybrid securities in Goodman PLUS Trust, a controlled entity of GIT, that meet the definition of equity for the purpose of the Consolidated Entity. The hybrid securities are preferred, perpetual non-call securities which are listed on the ASX. Goodman PLUS Trust pays, at its discretion, distributions at a market rate plus a margin. The hybrid securities may be exchanged or repurchased in certain circumstances. Accordingly, these hybrid securities have been classified as equity and presented as other non-controlling interests. Incremental costs directly attributable to the issue of hybrid securities are recognised as a deduction from equity, net of any tax effects.

At 30 June 2015, the movement in Goodman PLUS was as follows:

	Consolidated	
	2015	2014
	$M	$M
Balance at the beginning of the year	325.8	331.5
Distributions declared to holders of Goodman PLUS	21.2	21.4
Distributions paid to holders of Goodman PLUS	(21.2)	(27.1)
Balance at the end of the year[1]	**325.8**	**325.8**

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

The key terms of the Goodman PLUS are as follows:

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

Distributions declared during the current financial year by Goodman PLUS Trust to holders of hybrid securities were $21.2 million (2014: $21.4 million), or 647.9 cents per unit (2014: 655.6 cents per unit).

Other items (cont)

21 Controlled entities

Controlled entities are entities controlled by the Company. The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by the Company at 30 June 2015.

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

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

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

Significant controlled entities	Country of establishment/ incorporation
Carter Street Trust	Australia
GIT Investments Holding Trust No.3	Australia
Goodman Australia Finance Pty Limited	Australia
Goodman Capital Trust	Australia
Goodman Europe Development Trust	Australia
Goodman Finance Australia Trust	Australia
Goodman Funding Pty Limited	Australia
Goodman Funds Management Australia Limited	Australia
Goodman Funds Management Limited	Australia
Goodman Industrial Europe Finance Trust	Australia
Goodman Industrial Funds Management Limited	Australia
Goodman Industrial Trust	Australia
Goodman PLUS Trust	Australia
Goodman Property Services (Aust) Pty Limited	Australia
Goodman Treasury Trust	Australia
Goodman Ultimo Trust	Australia
MAC Unit Trust	Australia
MIP Trust	Australia
The Moorabbin Airport Unit Trust	Australia
Goodman Management Services (Belgium) NV	Belgium
GJDP Limited	Cayman Islands
Goodman China Asset Management Limited	Cayman Islands
Goodman China Developments	Cayman Islands
Goodman Developments Asia	Cayman Islands
MGI HK Finance	Cayman Islands
Goodman Management Consulting (Shanghai) Co. Ltd	China
Goodman France Sàrl	France
Goodman Germany GmbH	Germany
GFM Hong Kong Limited	Hong Kong
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong
Goodman Hong Kong Investment Trust	Hong Kong
Goodman Logistics (HK) Limited	Hong Kong
GPS Hong Kong Limited	Hong Kong
Goodman Japan Funds Limited	Japan
Goodman Japan Limited	Japan
ABPP Investment Jersey Limited	Jersey
Goodman Finance (Jersey) Limited	Jersey
Goodman Management (Jersey) Limited	Jersey
Goodman Property Holdings (Jersey) Limited	Jersey

Other items (cont)

21 Controlled entities (cont)

Significant controlled entities	Country of establishment/ incorporation
GELF Management (Lux) Sàrl	Luxembourg
GJL Management Lux Sàrl	Luxembourg
Goodman Europe (Lux) Sàrl	Luxembourg
Goodman Finance Two (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Midnight Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Goodman Investment Holdings (NZ) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman (Paihia) Limited	New Zealand
Goodman (Wynyard Precinct) Limited	New Zealand
Goodman Poland Sp zoo	Poland
Goodman Industrial Investments (Singapore) No.1 Pte Ltd	Singapore
Goodman Business Services (UK) Limited	United Kingdom
Goodman Development Management (UK) Limited	United Kingdom
Goodman Eastside Locks UK Ltd	United Kingdom
Goodman Logistics Developments (UK) Limited	United Kingdom
Goodman Operator (UK) Limited	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman Real Estate (UK) Limited	United Kingdom
Goodman UK Limited	United Kingdom
Goodman Birtcher Development Management LLC	United States
Goodman Birtcher Investment GP LLC	United States
Goodman Birtcher North America LLC	United States
Goodman Birtcher North America Management LLC	United States
Goodman Management USA Inc	United States
Tarpon Properties REIT Inc	United States

Disposal of controlled entities

During the year, the Consolidated Entity disposed of five controlled entities with total assets of $201.0 million (primarily investment property) and total liabilities of $5.5 million for a consideration of $228.8 million.

22 Related parties

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

Non-Executive Directors
Mr Ian Ferrier, AM
Mr Philip Fan
Mr John Harkness
Ms Anne Keating
Ms Rebecca McGrath
Mr Phillip Pryke
Mr Jim Sloman, OAM

Executive Directors
Mr Gregory Goodman
Mr Philip Pearce
Mr Danny Peeters
Mr Anthony Rozic

Other senior executives
Mr Nick Kurtis
Mr Nick Vrondas
Mr Jason Little.

Other items (cont)

22 Related parties (cont)

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Consolidated		Goodman Limited[1]	
	2015	2014	2015	2014
	$M	$M	$M	$M
Short-term employee benefits	18.3	17.1	-	-
Post-employment benefits	0.2	0.2	-	-
Equity compensation benefits	11.4	9.3	-	-
Long-term employee benefits	0.1	-	-	-
	30.0	**26.6**	**-**	**-**

1. The remuneration is paid by wholly-owned controlled entities of the Company.

Individual Directors' and executives' compensation disclosures

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' report.

Transactions with associates and JVs

The transactions with managed partnerships during the financial year were as follows:

	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to related parties	
	2015	2014	2015	2014	2015	2014
	$M	$M	$M	$M	$M	$M
Associates	**11.2**	2.1	**576.9**	387.1	**1.7**	1.3
JVs	**-**	11.3	**171.6**	340.6	**1.0**	1.4

Amounts due from managed partnerships at 30 June 2015 were as follows:

	Amounts due from related parties[1]		Loans provided by Goodman[2]	
	2015	2014	2015	2014
	$M	$M	$M	$M
Associates				
GAIF	**4.7**	6.4	**-**	-
GTA	**2.3**	2.3	**-**	-
GMT	**0.1**	1.4	**-**	-
GHKLF	**7.9**	6.0	**-**	-
GJCF	**-**	0.1	**-**	-
GELF	**15.6**	8.6	**20.0**	9.6
ABPP	**1.9**	4.9	**-**	-
	32.5	**29.7**	**20.0**	**9.6**
JVs				
GCLH	**-**	94.3	**-**	-
Other JVs	**3.5**	2.3	**28.8**	22.3
	3.5	**96.6**	**28.8**	**22.3**

1. Amounts due from related parties are either receivable within 30 days or on completion of the related development project.
2. Loans provided by Goodman to associates and JVs have generally been provided on an arm's length basis. At 30 June 2015, details in respect of the principal loan balances are set out below:
   + a shareholder loan of $14.2 million (2014: $9.6 million) has been provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of GELF, and incurs interest at 6.9% per annum.

Transactions with other related parties

Goodman is the fund manager and has an equity investment in Goodman European Business Parks Fund (GEBPF). During the current financial year, receivables of $0.1 million due from GEBPF have been impaired. At 30 June 2015, the amount owed by GEBPF, net of impairments, is $nil (2014: $nil).

Other items (cont)

23 Commitments

	Consolidated	
	2015 $M	**2014 $M**
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
- Within one year	16.3	15.4
- One year or later and no later than five years	34.0	37.5
- Later than five years	9.6	17.8
	59.9	**70.7**

Development activities

At 30 June 2015, the Consolidated Entity was also committed to expenditure in respect of $431.4 million (2014: $252.7 million) on inventories and other development activities.

Investment properties

At 30 June 2015, amounts contracted for the acquisition of investment properties not provided are $nil (2014: $nil) and capital expenditure commitments on Goodman's existing investment property portfolio was $18.9 million (2014: $4.7 million).

Managed partnerships

At 30 June 2015, the Consolidated Entity has made the following equity commitments in managed partnerships:

+ $97.6 million (2014: $123.2 million) into GELF; and
+ $nil (2014: $66.8 million) into WTGoodman, a development partnership in Brazil.

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

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

+ $223.3 million (2014: $153.9 million) into GCLH;
+ $336.0 million (2014: $419.1 million) into GJDP;
+ $1,212.0 million (2014: $1,017.3 million) into GNAP; and
+ $10.7 million (2014: $13.9 million) into other development partnerships.

Other items (cont)

24 Auditors' remuneration

	Consolidated	
	2015	2014
	$000	$000
Audit services		
Auditor of the Company:		
- Audit and review of financial reports (KPMG Australia)	977.7	989.2
- Audit and review of financial reports (overseas KPMG firms)	944.5	909.2
	1,922.2	**1,898.4**
Other regulatory services		
- Other regulatory services (KPMG Australia)	72.4	42.7
- Other regulatory services (overseas KPMG firms)	-	28.3
Other assurance services		
- Investigative accounting services (KPMG Australia)	-	10.0
- Investigative accounting services (overseas KPMG firms)	74.1	11.3
- Property advisory services (KPMG Australia)	14.7	-
Taxation services		
- Taxation compliance services (KPMG Australia)	2.6	2.4
- Taxation compliance services (overseas KPMG firms)	242.4	195.4
- Other taxation advice (KPMG Australia)	31.0	61.4
- Other taxation advice (overseas KPMG firms)	138.4	149.8
	575.6	**501.3**
Total paid/payable to KPMG	**2,497.8**	**2,399.7**
Other auditors		
- Audit and review of financial reports (non-KPMG firms)	**188.8**	**202.7**

25 Parent Entity disclosures

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

Investments in controlled entities and managed partnerships
Investments in controlled entities and managed partnerships are accounted for at cost in the financial statements of Goodman Limited. Distributions/dividends received from managed partnerships are recognised in profit or loss, rather than being deducted from the carrying amount of these investments.

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

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

Other items (cont)

25 Parent Entity disclosures (cont)

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

As at, and throughout the financial year ended, 30 June 2015, the parent company of the Consolidated Entity was Goodman Limited.

	2015 $M	2014 $M
Result of the Parent Entity		
Loss for the year	(577.0)	(23.9)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**(577.0)**	**(23.9)**
Financial position of the Parent Entity at year end		
Current assets	283.6	220.9
Total assets	1,382.3	1,294.6
Current liabilities	1,532.8	865.1
Total liabilities	1,532.8	865.1
Total equity of the Parent Entity comprising of:		
Issued capital	668.4	674.5
Profits reserve	90.7	90.2
Employee compensation reserve	5.5	2.9
Accumulated losses	(915.1)	(338.1)
Total equity	**(150.5)**	**429.5**

Parent Entity capital commitments
The Parent Entity has no capital commitments (2014: $nil).

Parent Entity contingencies
Capitalisation Deed Poll
The Company and certain of its wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to or proceeds for the subscription of equity in, the borrower by the investor. As at 30 June 2015, the Consolidated Entity had A$333.2 million (2014: A$155.4 million) of debt which had the benefit of the CDP.

Euro medium-term note programme
Under the Euro medium-term note programme (refer to note 12(b)), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Limited, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

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

Goodman PLUS guarantee
Goodman Limited, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK, guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS (refer to note 20) under the terms of issue and subscription terms for those securities.

26 Events subsequent to balance date

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

Goodman Limited and its Controlled Entities
Directors' declaration

In the opinion of the directors of Goodman Limited:

(a) the consolidated financial statements and the notes set out on pages 41 to 100 and the remuneration report that is contained on pages 15 to 34 in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Ian Ferrier, AM
Independent Chairman

Sydney, 13 August 2015

Gregory Goodman
Group Chief Executive Officer

Independent auditor's report to the members of Goodman Limited

Report on the financial report

We have audited the accompanying financial report of Goodman Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Consolidated Entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Consolidated Entity's financial position and of its performance.

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

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Goodman Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 34 of the Directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Goodman Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

John Teer
Partner

Sydney
13 August 2015

Eileen Hoggett
Partner

Sydney
13 August 2015