28 September 2015

The Manager
Company Notices Section
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir

**GOODMAN GROUP (GOODMAN) - ANNUAL REPORT AND SECURITYHOLDER REVIEW 2015**

We confirm that the Goodman Securityholder Review and Annual Report 2015 (incorporating the consolidated financial reports for Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited) was dispatched to Securityholders today.

The Reports and covering letter are attached.

Yours sincerely

Carl Bicego
**Company Secretary**

**Goodman Group**
Goodman Limited | ABN 69 000 123 071
Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621
as responsible entity of Goodman Industrial Trust | ARSN 091213 839

Level 17, 60 Castlereagh Street, Sydney NSW 2000 | GPO Box 4703, Sydney NSW 2001 Australia
Tel +61 2 9230 7400 | Fax +61 2 9230 7444

Goodman Logistics (HK) Limited | Company No. 1700359 | ARBN 155 911 149
a Hong Kong company with limited liability
Suite 2008, Three Pacific Place, 1 Queen's Road East, Hong Kong | Tel +852 2249 3100 | Fax +852 2525 2070

info-au@goodman.com | www.goodman.com

28 September 2015

Dear Securityholder

**Goodman Group (Goodman or Group) - Securityholder Review and Annual Report 2015**

We are pleased to present the Goodman Securityholder Review and Annual Report 2015. The Annual Report includes the consolidated financial reports for Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited (the Goodman Limited report being for the entire consolidated Goodman Group). The online versions are also available at www.goodman.com.

Goodman Group performed strongly in the 2015 financial year, delivering an operating profit of $653 million for the year ended 30 June 2015, equivalent to operating earnings per security of 37.2 cents, and paying a total distribution of 22.2 cents per security for the full year.

Goodman is well placed to capitalise on our position as a leading global industrial property group, given the strength of our development activities and access to a significant pipeline of opportunities, demand from investment partners and the ability to deliver modern and efficient property solutions for our global customer base. This is providing Goodman with a strong platform to drive earnings in the 2016 financial year and future periods and create long-term value for all of our stakeholders.

**Annual General Meeting**

The Annual General Meeting will be held on Wednesday, 25 November 2015 at The Westin Sydney, No 1 Martin Place, Sydney at 10:00am. A Notice of Meetings and Proxy Forms will be dispatched to Securityholders during October.

Thank you for your support over the past year.

Yours faithfully

Gregory Goodman
**Group Chief Executive Officer**

**Goodman Group**
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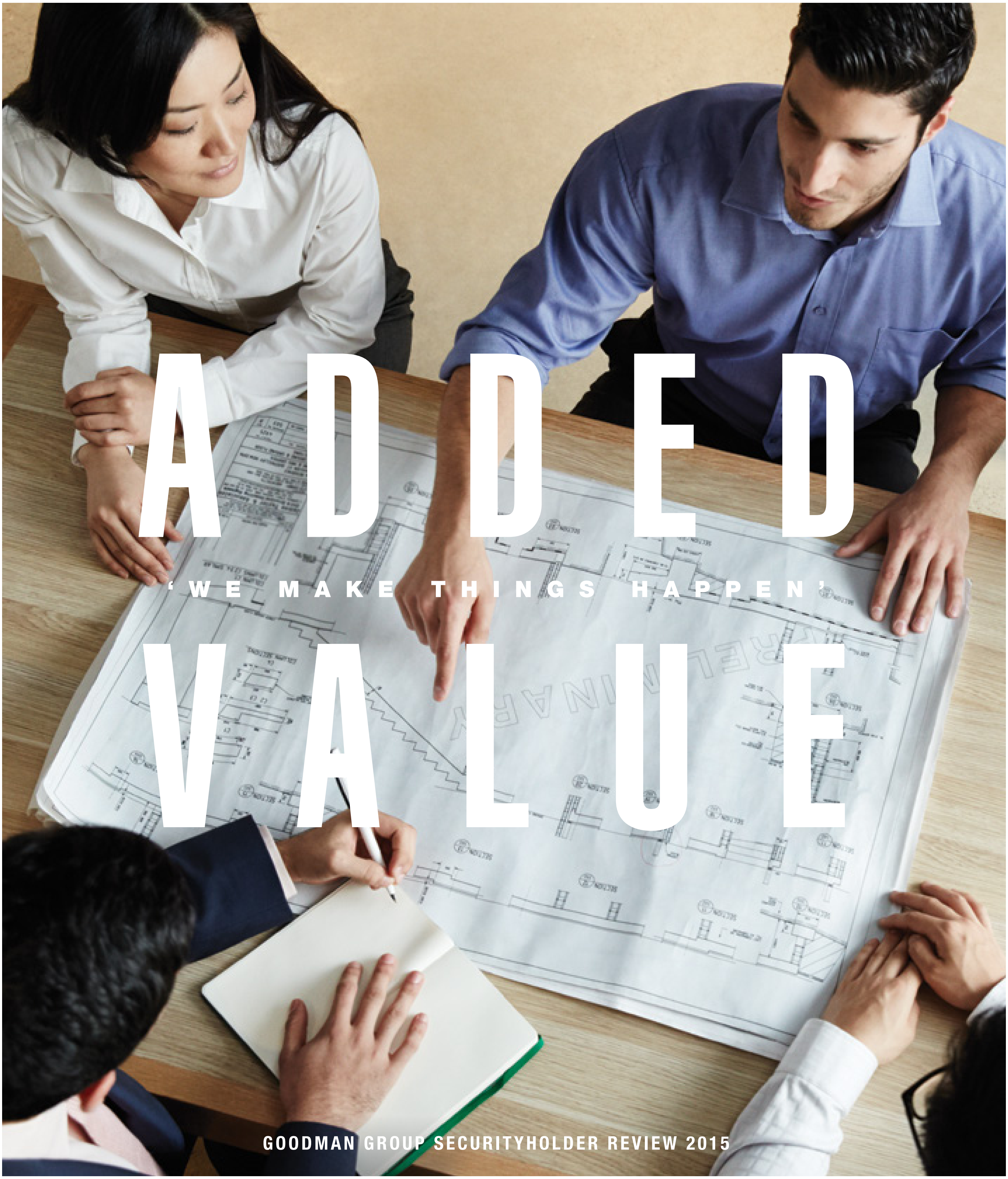

# ADDED

'WE MAKE THINGS HAPPEN'

# VALUE

GOODMAN GROUP SECURITYHOLDER REVIEW 2015

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## "IT'S ALL ABOUT BUILDING A SUSTAINABLE BUSINESS"

**MR. IAN FERRIER, AM**
INDEPENDENT CHAIRMAN

# 2015

**was an outstanding year for Goodman, which saw the Group deliver $653 million in operating profit, representing 9% growth on 2014. The result was earned in an environment marked by the low cost of money and strong demand for our e-commerce and logistics space around the world. This allowed Goodman to optimise its performance and also led to a significant contribution from the Group's urban renewal programme in Sydney.**

**Financial highlights for the 2015 financial year (FY2015) include:**

+ operating profit of $653 million, a 9% increase on FY2014;
+ statutory profit of $1,208 million, including $710 million in revaluations that also contributed to a 20% increase in net tangible assets;
+ operating earnings per security (EPS) of 37.2 cents, up 7.1% on FY2014;
+ distribution per security of 22.2 cents, up 7% on FY2014;
+ total GMG Securityholder return (TSR) of 30% for FY2015, with average TSR of 20% over the last five years;
+ a strong financial position maintained, with balance sheet gearing of 17.3% and interest cover ratio of 6.0x; and
+ group liquidity at $1.8 billion, covering maturities to December 2019.

Following on from a successful FY2015, we are well positioned to deliver FY2016 operating EPS of 39.4 cents, up 6% on FY2015.

## EXPANSION

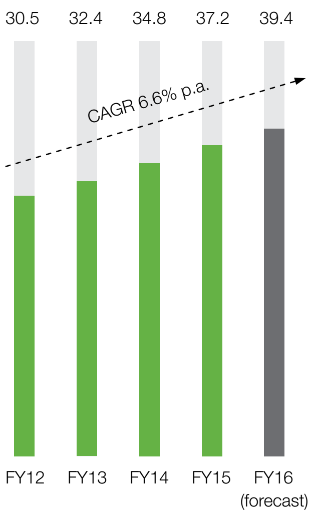
Goodman has expanded and strengthened its business across all markets and continued to grow its development work book. To improve the quality of its portfolio, the Group is reinvesting in its development pipeline. Taking advantage of the favourable market conditions and selling existing assets to fund development of higher grade assets, has enabled customers to be relocated to higher quality, more strategically located, modern industrial properties.

Recent expansion into the Americas has focused on the establishment of key capabilities to support Goodman's core own+develop+manage business model. Investment to fund the future growth of these businesses has been made across many areas including people, land banks, business processes and management oversight. This investment is structured to ensure that a consistent and differentiating quality of product and service is delivered for our customers and capital partners in these markets.

In the United States, we now have a team of over 30 people and a development pipeline of A$2 billion across 12 sites. During the year, Canada Pension Plan Investment Board (CPPIB) increased their equity commitment to the Goodman North America Partnership (GNAP) by US$500 million. In Brazil, the joint venture, WTGoodman comprises a team of 25 people with a development pipeline of US$1.3 billion across four sites.

Urban renewal realisations are beginning to emerge with sites to the value of $1.1 billion conditionally contracted as at 30 June 2015. This programme will be the most significant source of capital to fund future expansion and growth of the Group over the longer term.

**Operating EPS** (¢)




**$653m**

Operating profit

**22.2c**

Distribution per security

**$1.8bn**

Liquidity


Hammer Group, Bedburg Logistics Centre, Germany.


Fisher & Paykel, West Industry Park, Melbourne, Australia.

## A SUSTAINABLE AND PRUDENT BUSINESS

Despite the Group's growth and expansion, Goodman remains a prudently managed business, seeking to provide competitive and sustainable returns for all stakeholders. This is achieved through the efficient allocation of both human and capital resources to deliver a quality product and service for the long term.

One of our major global investors wrote to us and a number of other significant companies during the year highlighting the risks of "a short-termist phenomenon" that sees companies "underinvesting in innovation, skilled workforces or essential capital expenditures necessary to sustain long term growth". They urged us to join them to "invest in the future to lay the foundation for stronger, more sustainable and more stable economic growth".

These themes resonated very strongly with Goodman's Board, management and capital partners. One of the Group's key themes over the past several years has been sustainability, starting by setting competitive but realistic and sustainable long term return aspirations when communicating to investors and staff. This then enables Goodman to focus on developing the highest quality assets and partnering with the right capital to service customers globally. The Group seeks to deliver core real estate returns in partnerships designed to provide low volatility and stable income for the long term within an environment of high levels of governance.

For FY2015, the Group made a cash distribution of 22.2 cents per security, which totalled $388.3 million, in the form of a trust distribution. A trust is not subject to tax in Australia as long as it distributes all of its taxable income to its investors. That income is then taxable in investors' hands. The components of the Trust's distribution reflect the sources of the Group's operating earnings being primarily, Australian income with other components reflecting the offshore activities of the Group. Australian resident Securityholders include 98% of the distribution in their taxable income.

**"Invest in the future to lay the foundation for stronger, more sustainable and more stable economic growth."**

Goodman has various strategies it uses to ensure sound and prudent financial governance. We continue to maintain a low risk approach to development by effectively deploying various strategies and policies to help manage these processes and the execution is made possible by the close relationships that the Group has built with both customers and capital partners. With $2.5 billion of developments completed this year, very little is undertaken speculatively, 91% of all developments were pre-commited prior to completion and 85% of all completions were for Goodman's partnerships or third parties. Notwithstanding this, we acknowledge that there is risk in development and our capital management strategy is to lower our financial leverage to help further offset this risk.

The Group's hedging and insurance policies are also examples of strong governance and risk mitigation. Goodman is an Australian group reporting and quoted on the Australian Securities Exchange (ASX) in Australian dollars. As a result, the Group seeks to undertake a conservative hedging policy to foreign currency risk management. Goodman's policy is to hedge between 70% and 95% of foreign currency denominated assets and as at 30 June 2015, was in the middle of this band at 82%. As a property company, the Group also seeks to minimise any volatility that arises as a result of interest rate movements. Goodman's policy is to ensure between 60% and 100% of current year interest rates are fixed and the Group currently has 94% hedged over the next 12 months.

A further example of prudent governance is the robust insurance programme that Goodman has in place around the world that protects the Group financially against unforeseen events, such as the hail storms that created significant damage to properties in western Sydney in April this year. These processes and policies, and the relationships we have built through all stakeholders, not only protect the Group financially but also provide us with the ability to quickly respond to our customers' needs, mitigating further loss and damage.

The Group's remuneration policy is focused on ensuring that it attracts, motivates and retains the best quality staff necessary to operate a global business of Goodman's size and scale. With an approximate voluntary turnover of 4% per annum, Goodman is very proud of the high levels of staff retention achieved and recognises that the design of a competitive remuneration policy is vital in delivering the Group's long-term goals. The remuneration policies have been designed to encourage and reward superior performance that is aligned with the business strategy and to provide compelling incentives for high performing executives to remain employed with Goodman.

Goodman is a global business operating in 16 countries, with offshore earnings contributing 55% of operating EBIT. The Board believes that given the Group's global presence, scale and integrated business model, the remuneration levels for select senior executive roles should be referenced alongside international competitors, rather than more locally focused businesses. In the opinion of the Board, this is absolutely necessary to ensure the Group retains the skilled and experienced employees required to perform and deliver in Goodman's global operation.

**16**

**Countries**

**32**

**Offices**

The Board also considers that in relation to incentive compensation, a significant component of total remuneration should be delivered through equity plans. This approach encourages long-term decision making and promotes strong alignment between the interests of Securityholders and employees. It is an appropriate model of incentivising and rewarding the Group Chief Executive Officer and other senior executives.

In addition to this, every Goodman staff member has some form of ownership in the business through participation in the Group's Long Term Incentive Plan. The Board believes that this is an important aspect of working at Goodman and is a unique offering to employees. The outcome of this is the significant results that the Group has continued to deliver, along with enabling the investment made in developing quality staff to be truly realised.

It is Goodman's absolute focus to add value in everything it does. It is the quality of its people and properties and its prudent financial management and the high level of service it strives to provide its customers and investors that defines the Group's competitive advantage. I am proud of the outstanding result that has been delivered this year and would like to thank staff for their hard work and dedication and our Securityholders, customers and capital partners for your ongoing support.

**MR. IAN FERRIER, AM**
INDEPENDENT CHAIRMAN

**"I am proud of the outstanding result that has been delivered this year and would like to thank staff for their hard work and dedication and our Securityholders, customers and capital partners for your ongoing support."**

MR. IAN FERRIER, AM
INDEPENDENT CHAIRMAN

## DELIVERING VALUE

GREGORY GOODMAN
GROUP CHIEF EXECUTIVE OFFICER

**I am pleased to report on the Group's activities and achievements for the 2015 financial year. Goodman has performed strongly, delivering one of our best ever financial results. This reflects the focus the team has had on delivering to our business strategy, including the value we strive to add for all of our stakeholders and the sustainable long-term business we are building. Goodman is all about delivering value. This is highlighted by the quality of our product and service offering, the high standards of service we aspire to and the skill and dedication of our people. It is also evident in our enduring customer relationships around the world and our significant capital partnerships with global investor groups.**

Goodman delivered operating EPS growth of 7.1% for the year, reflecting the strong underlying operating performance across our business and the customer demand for modern, well-located logistics and business space. Our demonstrated ability to provide flexible and diverse property solutions ensured we were well positioned to take advantage of the best opportunities in proven logistics locations globally and capitalise on the continued momentum in all of our operating regions. The Group was able to grow its operating earnings while at the same time lowering financial leverage, reducing gearing to further strengthen its balance sheet. This is a key point of difference and provides Goodman with significant financial and operational flexibility for future years.

Our strategic focus continues to be on improving the quality of our properties and the income we derive from them. Having one of the most geographically diversified operating platforms globally and a specialist industrial focus, has enabled Goodman to take advantage of the strong pricing for high yielding industrial assets and the significant available liquidity in the current low growth environment. In turn, we have selectively sold properties across the Group and our managed partnerships, disposing of $1.9 billion of investment properties (excluding urban renewal sites), mainly in Australia, Continental Europe and the United Kingdom. The capital realised from asset sales is being reinvested into our development business to finance new projects across Goodman's global development work book. This approach is adding considerable value, with development providing the best risk adjusted returns at this point in the property cycle. Our development expertise means we can deliver new logistics space at a forecast yield on cost of 8.8% and replace existing assets with Goodman's own high quality development product. This allows us to enhance overall portfolio and income quality and drive higher investment returns.

**$3.1bn**

**Development work in progress**

The merit of our strategic approach was demonstrated by the strong performance of Goodman's development activities during the year, which saw our development work book grow to $3.1 billion and ensured we continued to be one of the largest developers of industrial property globally. This was driven by higher development volumes and customer demand for well-located and designed logistics space to help achieve greater operating efficiencies, particularly across the logistics sector, with factors such as supply chain consolidation and building obsolescence providing ongoing opportunities to add value. Importantly, we have maintained a low risk approach to our development activities, undertaking projects without pre-commitments only in selected markets and proven, quality logistics locations, with low vacancy rates and where demand for assets is high. On this basis, Goodman achieved a 91% pre-commitment for development completions in the 2015 financial year.

Highlighting the growth in our development activities during the year, in Australia we worked closely with customers to provide relocation solutions in proven logistics locations as a result of the change in use of traditional industrial sites, securing new projects on behalf of customers in South and Western Sydney. This reflects the Group's dominant market position, with an Australian portfolio of over 200 properties and access to a sizeable land bank, we can provide our customers with a range of flexible solutions to cater for their changing business requirements.

Our New Zealand business experienced higher development volumes as a result of the sustained economic growth, with a number of development projects announced, including at Auckland's Viaduct Quarter and Highbrook Business Park.

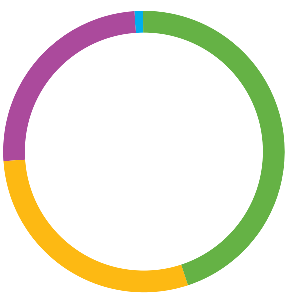
Goodman continued the measured roll-out of its development-led approach in markets such as China, where we maintained development volumes at around 650,000 sqm, taking advantage of the limited supply of logistics space in strategic locations around the major markets of Shanghai and Beijing. The growth in the level of recurring business with customers, particularly in the e-commerce and logistics sectors, has been a positive trend. This includes expanded relationships with French sport apparel and equipment retailer, Decathlon and logistics services provider, Best Logistics.


DHL, Roissy Airport Logistics Centre, Paris, France.

Japan continues to experience an undersupply of prime logistics space and our targeted development-led approach, which focuses on the most strategic locations, ensured we achieved strong leasing success during the year. Our developments at Goodman Mizue and Goodman Ichikawa at Tokyo Bay were both 100% pre-leased prior to completion. The buoyant customer demand also saw our Japan team commence the 116,527 sqm first phase of development for Goodman Business Park Chiba, a new large-scale, masterplanned, multi-use logistics and business park. On completion, the overall project will have an expected value in excess of US$1 billion.

In the United Kingdom, Goodman is benefiting from higher development volumes, driven by improving economic conditions. Increased customer confidence and growing business activity levels are being reflected in the new developments being undertaken in proven, core markets and our logistics and business park teams securing new pre-committed opportunities during the year. The Group's business in Europe completed another solid year and was named "Number One Developer in Europe" by PropertyEU magazine for the fourth consecutive year, having completed nearly two million sqm of development in the period from 2012 to 2014. This result was mainly driven by Goodman's leading position as the top developer for e-commerce logistics, and from the growth in the automotive, retail and third party logistics sectors. The large majority of development projects were pre-leased before the start of construction.

## Operating EBIT by geographic segment



- Australia **45%**
- Europe **29%**
- Asia Pacific **25%**
- The Americas **1%**


SÜD
OOCL
Interpool
msc
MEDITERRANEAN SHIPPING CO
SÜD
NYK LOGISTICS

In the US, good progress was made on the roll-out of Goodman's $2 billion development pipeline, taking advantage of the lack of quality space available in proven logistics locations in the Southern California, New Jersey and Pennsylvania markets. The team completed and signed a long-term lease for the 1.6 million sq ft (approximately 150,000 sqm) Goodman Logistics Center Rancho Cucamonga, in the Inland Empire market of Southern California, securing the customer, Georgia-Pacific, in one of the largest logistics leasing deals completed in Southern California in the past 10 years. Post 30 June 2015, we commenced the development of our 73 hectare site at Eastvale in the Inland Empire market, while we also continue to work through planning on prime land sites in New Jersey and Pennsylvania.

In Brazil, our focus remains on selective pre-committed opportunities. Through our WTGoodman joint venture, we secured two prime built-to-suit development opportunities, totalling 219,000 sqm, including a 74,000 sqm facility at International Business Park in Rio de Janeiro for the International Olympic Committee.

Our increased development activities and higher asset pricing strongly influenced the growth in the Group's total assets under management, which increased by 13% during the year to $30.3 billion. This was predominantly the result of $2.5 billion of development completions and $1.5 billion of asset revaluations across Goodman's portfolio, with significant valuation increases contributed by Goodman urban renewal sites in Australia.

We accelerated the pace in the roll-out of the Group's urban renewal strategy over the last 12 months, taking advantage of this significant long-term opportunity for our business. We continued to work through our current urban renewal pipeline in Sydney and Melbourne, achieving positive planning outcomes on a number of sites. As a result, $1.1 billion of sites have been conditionally contracted for sale. While the Group has maintained its current urban renewal pipeline at more than 35,000 apartments, we see further opportunities to increase this meaningfully over time through the ongoing evolution of urban renewal precincts and as new sites are identified across our portfolio.

**$30.3bn**

**Total assets under management**

Goodman experienced robust operating activity across its stabilised property portfolio during the year. Our customer focused approach and commitment to managing and maintaining our properties to a high standard, were reflected in the strong leasing results achieved, and the high occupancy and customer retention levels maintained.

Goodman's contemporary approach to its managed partnerships, investment offering and leading development capability are attractive to global investor groups and provide Goodman with a key competitive advantage. This ensured we retained the strong ongoing support of investment partners during the year, with Goodman raising $1.8 billion of new third party equity, primarily for our platforms in North America, China and Japan. Our managed partnerships are benefiting from the investor demand for high yielding industrial assets, with selective asset rotation and the prudent management of capital on behalf of investment partners providing access to quality opportunities not typically available on the market. In turn, our managed partnerships are well positioned to maximise investment returns and create long-term value for capital partners.

The scope of the operating activities and strategic initiatives undertaken by Goodman in the 2015 financial year has delivered a strong performance across its business globally. This has resulted in full year operating EPS of 37.2 cents, up 7.1% on FY2014 and operating profit of $653 million, representing an increase of 9% compared with the same period last year and consistent with the upgraded earnings guidance announced in February.

The total distribution paid for the full year was 22.2 cents per security, consisting of an 11.1 cent distribution in each half year period.

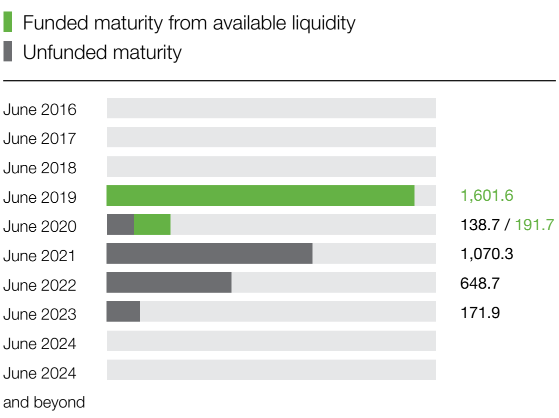
## GROUP OPERATIONS

Goodman's operations achieved an operating EBIT of $717 million, or an 8% increase compared with the same period last year, as a result of the organic growth and increased scale from Goodman's existing markets. The Group's active development and management businesses contributed 33% and 16% of operating EBIT respectively, which was driven by strong activity stemming from the limited supply of quality space and investor demand for high performing industrial assets. The growing contribution from development was a key factor in the Group's earnings outperformance for the year. Goodman's property investment activities contributed 51% to operating EBIT, with the earnings composition in line with expectations.

The contribution to earnings by Goodman's international operations was 55%, reflecting the significant growth experienced in these markets and highlighting the value of the Group's geographically diversified operating platform.

Further information on the Group's operations for the 2015 financial year is available on pages 22 to 33 of this Securityholder Review.

**Debt maturity profile** ($M)





Goodman Interlink, Hong Kong.


## CAPITAL MANAGEMENT

Goodman is committed to maintaining its sound financial position as a platform for delivering sustainable growth and competitive returns on a “through the cycle” basis. We are well positioned in the current operating environment to capitalise on the favourable market conditions by continuing to sell assets and focus on our development activities to deliver growth in investment returns. By reinvesting capital from asset sales to fund our development activities across the Group and managed partnerships at this point in the property cycle, we are able to minimise the amount of new capital required and reduce Goodman’s financial leverage.

Our growing development work book means that the Group will retain its focus on reducing financial leverage and maximising available capital to reflect the increased earnings contribution from development. This ensures we are appropriately positioned to fund these activities, absorb any changes in market volatility and take advantage of growth opportunities over the longer term.

As a result, our gearing was 17.3% at year end, compared with 19.5% as at 30 June 2014 and is expected to reduce further. Coupled with available liquidity of $1.8 billion, this is providing Goodman with considerable financial flexibility for future periods.

During the year, we also continued to focus on diversifying our debt funding sources and demonstrated our ongoing access to global debt capital markets. Across the Group and managed partnerships, we procured $5.7 billion of debt facilities, predominantly to refinance existing facilities, achieving an average term of 4.5 years at current market rates. Furthermore, the Group has focused on maintaining its stable and sustainable long-term corporate credit rating with debt rating agencies, Standard & Poor’s and Moody’s Investor Services (Moody’s) at ‘BBB stable’ and ‘Baa2 stable’ respectively. Separately during the year, Goodman European Logistics Fund (GELF) had its credit rating upgraded to ‘Baa2’ by Moody’s.

**17.3%**

Gearing

## OUTLOOK

Goodman has completed a very successful year, reflecting the quality business we are building for the long term. We are well placed to capitalise on our position as a leading industrial property group, with a strong platform in place for FY2016 and future periods, to deliver sustainable earnings growth and create long-term value for all of our stakeholders.

The Group is taking advantage of the demand for prime industrial property and selectively undertaking high quality growth opportunities in key logistics markets globally. The prevailing market conditions continue to provide Goodman with attractive opportunities to improve asset and income quality across its portfolio, which is core to our business strategy. This is being facilitated by our geographically diversified operating platform and skilled team of people, enabling Goodman to realise targeted opportunities to rotate assets, including from our urban renewal initiatives, and reinvest significant capital into the development activities of the Group and our managed partnerships. This will provide our business with considerable future financial flexibility, while maintaining a strong balance sheet.

For FY2016, Goodman expects the strength of its development activities and access to a significant pipeline of opportunities, demand from investment partners and the ability to deliver modern and efficient property solutions for its global customer base to be key drivers of earnings. The Group is forecasting full year operating earnings per security of 39.4 cents, up 6% on FY2015 and a distribution of 23.8 cents per security.

On behalf of the Board and executive management team, I would like to thank all of our customers, capital partners and Securityholders for their ongoing support. In particular, I would like to thank our team of people around the world for their outstanding contribution to Goodman's strong performance over the last year. It is their ongoing dedication and commitment to delivering quality and creating value for all of our stakeholders, which is fundamental to driving the sustainable long-term growth and success of our business.

**GREGORY GOODMAN**
GROUP CHIEF EXECUTIVE OFFICER


Intermarché, Poznan II Logistics Centre, Poland.


DELIV
Goodman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LITY

# ADDING VALUE TO THE PORTFOLIO

## PROPERTY INVESTMENT

The value of Goodman's investment portfolio was $6.7 billion at 30 June 2015, which compares with $5.6 billion for the same period last year and consists of the Group's ownership interest in 411 prime industrial and business space properties across 16 countries. The composition of the portfolio reflects the Group's direct property investments valued at $2.7 billion and is represented by 31 properties located in key markets across Australia, the United Kingdom (UK) and Europe. Furthermore, the investment portfolio includes $4.0 billion of the Group's cornerstone investments in its managed partnerships and other financial investments.

Growth in our total assets under management was the key driver in the higher value of the overall investment portfolio. This was mainly as a result of development completions and positive revaluations, across both our direct property investments and the Group's proportionate share of its cornerstone investments in its managed partnerships. A significant feature of our direct property investments is the number of sites that have been included as part of the Group's urban renewal strategy, which provides a substantial opportunity to return capital to the Group over the long term. The growth of the investment portfolio was offset by a number of asset rotation initiatives undertaken during the year, which included the disposal of the majority of the Group's UK property assets and selective asset sales across our managed partnerships, predominantly in Australia and New Zealand, in addition to the UK.

**A customer focused approach**
The performance of the Group's overall investment portfolio over the 12 month period reflected the robust property fundamentals and solid operating activity experienced during the year. Our customer focused offering, size and scale of our quality portfolio, active asset management and diverse global operating platform are key components of Goodman's business. They provide Goodman with the capability to meet the unique needs of our customers, while benefiting from the ongoing global demand for quality industrial property and business space. This saw Goodman lease 3.4 million sqm of space, equating to $386 million of net property income, with occupancy maintained at a high 96% and like-for-like rental growth of 2.5%.

As an active asset manager, Goodman continually assesses opportunities to add value across its portfolio. This includes seeking opportunities to reposition assets to enhance performance, such as through higher and better use outcomes or rotating assets where, for example, value has been maximised. During the year, Goodman focused on improving the quality of its properties and income, taking advantage of higher asset pricing to selectively sell assets across the Group and its managed partnerships. This achieved $1.9 billion in sale proceeds, with the capital being reinvested to provide funding for Goodman's high quality development work book.

**411**
Properties

**$6.7bn**
Value of Goodman's investment portfolio

**3.4m**
Sqm of space leased

Goodman Mizue, Tokyo, Japan.

# ADDING VALUE THROUGH QUALITY DEVELOPMENTS IN STRATEGIC LOCATIONS

## PROPERTY DEVELOPMENT

Goodman's development business performed strongly in FY2015. This reflected growing volumes in line with the prudent development-led approach we are implementing at this point in the property cycle. We are benefitting from the ongoing structural changes taking place across our sector globally, including the high demand for e-commerce and logistics space, which is driving customer demand for greater efficiencies and returns from their property solutions. This continued to be a key driver of the significant development activity we experienced during the year, with our focus on targeting the best quality projects in proven locations in our operating regions around the world. As a result, we commenced $2.7 billion of new developments across 71 projects in 11 countries. Our expertise and development capability enable us to deliver new development product at a forecast yield on cost of 8.8%, which is below current replacement cost and provides Goodman with a strong competitive advantage. We achieved an average lease term of 10.5 years on these new developments with 73% pre-committed, demonstrating our commitment to a low risk development approach.


Via Varejo, Campo Grande, Rio de Janeiro, Brazil.

**$2.7bn**

New development commencements

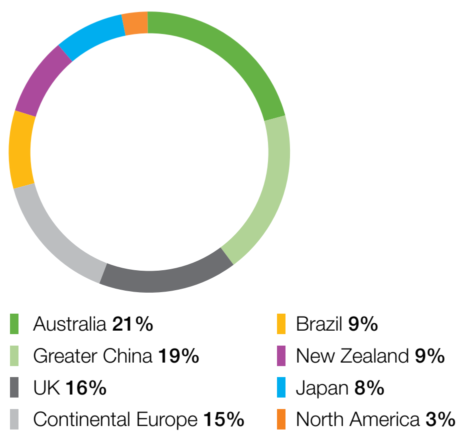
**76**

Developments currently underway globally

**Commenced developments include:**

+ in Sydney, two facilities for a combined 58,000 sqm on behalf of global logistics services provider, DHL Supply Chain;
+ a 27,781 sqm warehouse in Brisbane for leading express delivery company, TNT;
+ in Auckland, New Zealand, a 16,735 sqm head office for IT systems and process provider, Datacom;
+ a 76,294 sqm built-to-suit facility, comprising two warehouses, in Nanjing, China for logistics services provider, Best Logistics;
+ in Tokyo, Japan, phase 1 of Goodman Business Park Chiba, comprising a 116,527 sqm ramp-up logistics facility, which is 25% pre-committed to third party logistics provider, SBS Logicom;
+ a 61,323 sqm warehouse in Walsrode, Germany for online furniture retailer, Home24;
+ a 55,236 sqm warehouse for multinational retailer, Carrefour, near Lille, France;
+ at Fontana in Southern California, United States, a 59,217 sqm logistics centre; and
+ a 145,392 sqm built-to-suit facility for Brazilian retail group, Via Varejo, in Rio de Janeiro, Brazil.

**Development work in progress as at 30 June 2015**



**Reinvesting sale proceeds to fund development activities**

With one of the largest and most diversified industrial development work books globally, Goodman remains in a strong position to capitalise on the customer demand for high quality and well-located logistics space. This is evident in the growth in our development work in progress to $3.1 billion at 30 June 2015 from $2.6 billion last year, with active projects underway in all of Goodman's operating regions. We are currently undertaking 76 projects in 11 countries, equating to 2.2 million sqm of new logistics space. The ability to reinvest proceeds from the sale of assets to fund Goodman's development activities is a point of differentiation, which uniquely positions the Group to increasingly self-finance its development business. This is consistent with our prudent approach to development and focus on maintaining a strong balance sheet position.

In proven undersupplied markets where we are rolling out our selective development-led strategy, such as in the United States, Brazil, Japan and China, our capital partnering approach further highlights our commitment to mitigating risk.

Goodman Logistics Center Rancho Cucamonga, Southern California, US.

**$10bn**

**Development pipeline**


For the year, Goodman delivered 2.1 million sqm of new space across 71 projects globally, with a combined value of $2.5 billion. Developments completed during the year include:

+ a 46,366 sqm distribution centre in Brisbane for international logistics provider, DB Schenker;
+ in Melbourne, a 24,059 sqm warehouse for paper and packaging supplier, BJ Ball;
+ in Auckland, New Zealand, a 10,150 sqm warehouse for automotive group, Ford;
+ a 37,767 sqm built-to-suit facility in Yanjiao, China for global sport apparel and equipment retailer, Decathlon;
+ in Tokyo, Japan, two multi-customer ramp-up logistics and distribution facilities for a combined 123,000 sqm;
+ a 27,616 sqm fulfilment centre in Halle, Germany for leading integrated e-commerce solutions provider, eBay Enterprise;
+ in Konin, Poland, a 38,950 sqm logistics centre for Polish grocery retail brand, market-Detal;
+ a 30,000 sqm logistics facility for French express parcel business, GeoPost in Hinckley, United Kingdom; and
+ at Rancho Cucamonga in Southern California, United States, a 148,699 sqm logistics centre.

During the year, Goodman replenished its controlled land inventory, predominantly in the United States and China. As a result, our development pipeline was maintained at over $10 billion and is capable of delivering a forecast gross lettable area of more than 7 million sqm. This ensures Goodman remains well positioned to roll-out its growing development business and capitalise on the strong investor demand for prime logistics and business space, while effectively servicing the diverse property needs of our customers globally.

# 96%

**Overall occupancy**

# 1,850

**Customers globally**

**Top 20 global customers (by net income[1])**

| Customer | % |
|---|---|
| Japan Post (Toll Group) | 4.0 |
| Decathlon | 2.5 |
| Deutsche Post (DHL) | 2.2 |
| Amazon | 2.0 |
| DB Schenker | 1.6 |
| Linfox | 1.3 |
| Wesfarmers | 1.3 |
| Carrefour | 1.2 |
| Kuehne + Nagel | 1.2 |
| Recall | 1.2 |
| Grays Online | 1.1 |
| Metcash | 1.1 |
| Best Logistics | 1.1 |
| Woolworths | 1.0 |
| Georgia-Pacific | 0.9 |
| Coca-Cola Amatil | 0.8 |
| Zalando | 0.7 |
| Nippon Express | 0.7 |
| CEVA Logistics | 0.7 |
| Equinix | 0.6 |

1. Includes the Group's share of net property income from its cornerstone investments across its managed fund platform.

# A TEAM FOCUSED ON DELIVERING QUALITY CUSTOMER SERVICE

## PROPERTY SERVICES

The dedication and commitment of Goodman's property services teams around the world are key to delivering the highest standards of service and ensuring that the needs of our more than 1,850 customers were catered for throughout the year. With responsibility for managing 17.6 million sqm of space, equivalent to $30.3 billion of total assets under management, our teams are focused on the presentation of our quality portfolio of 411 industrial and business space properties, ensuring they are well maintained and operating efficiently.

The success of Goodman's service offering is built on the effective day-to-day management of our global customer relationships. The proactive approach of our teams ensures that we are responsive to the diverse property needs of our customers and able to identify opportunities that meet their changing business requirements. Over the last 12 months, we were able to add value for our customers, through the size and scale of our portfolio and our active asset management approach to deliver a range of property solutions. Across our operating regions, this included consolidating space to achieve operating efficiencies, upgrading and expanding existing properties and relocating customers within our portfolio. The hard work of our teams is reflected in the substantial leasing activity over the full year period, with more than 3.4 million sqm of space leased.

### Building existing and developing new customer relationships

A total of 354 new leases were completed for existing and new customers in our property portfolio globally, with a total of 393 leases renewed on behalf of existing customers. This activity resulted in overall occupancy being maintained at a high 96% and a customer retention rate of 74%.

Significantly, we welcomed a number of new customers during the year, while building on our existing customer relationships, including Kuehne + Nagel, Deutsche Post (DHL), Sinotrans, Japan Post (Toll Group), UPS, IKEA, Coca-Cola Amatil, Vipshop, Woolworths and BMW.

# LEVERAGING STRONG RELATIONSHIPS

## MANAGED PARTNERSHIPS

Goodman retained the strong support of its capital partner relationships over the last 12 months, reflecting the demand for prime industrial assets and the attractiveness of the Group's specialist industrial product offering and development capability. We successfully raised $1.8 billion of new third party equity during the year, predominantly for North America, China and Japan, where we are executing a prudent development-led strategy with known customer demand. Our managed partnerships performed strongly over the year, providing our global investment partners with access to high quality growth opportunities not typically available on the market, coupled with targeted asset selection and rotation to drive investment returns and long-term value creation. Through the focused delivery of their investment strategies, our managed partnerships achieved on average a total return in excess of 16% over the last 12 months.

Third party assets under management increased to $25.2 billion at 30 June 2015 compared with $22.4 billion last year. This was primarily the result of positive asset revaluations, driven by strengthening industrial asset pricing globally, together with a number of developments completed by Goodman during the year. Our managed partnerships also completed a number of initiatives to diversify debt funding sources and lengthen debt maturity profiles, providing available investment capacity of $7.6 billion in undrawn equity, debt and cash. Combined with sale proceeds from ongoing asset rotation initiatives, Goodman's managed partnerships are well positioned to participate in a broad range of growth opportunities in future years.

Red Bull, Sydney Corporate Park, Australia.

**New strategic partnership created**
In New Zealand, a new strategic partnership was established between Goodman Property Trust (GMT) and Singapore's sovereign wealth fund, GIC, to co-invest in Auckland's Viaduct Quarter. The partnership will initially own a portfolio of assets comprised of GMT's existing assets and valued at NZ$313 million, with a mandate to grow the partnership to NZ$500 million over time. GIC will acquire a 49% interest in the initial portfolio, with GMT retaining a 51% share and all future investments will be made on the same basis.

**New capital raised**
In Japan, ¥23 billion of new equity was raised by Goodman Japan Core Fund, enabling it to fund the acquisition of current and future development completions from Goodman Japan Development Partnership.

In China, Goodman and CPPIB increased the equity commitment to their Goodman China Logistics Holding joint venture by US$500 million, taking the total equity for the partnership to US$2 billion. Similarly in the US, CPPIB increased its equity commitment to Goodman North America Partnership (GNAP) by an additional US$500 million.

In Europe, Goodman European Logistics Fund (GELF) successfully priced an inaugural €500 million Eurobond issue on a five year term, with proceeds used to repay existing debt facilities. Separately, in New Zealand, GMT successfully completed a US Private Placement debt issue, securing US$120 million of long-term funding with a weighted average term of 12.3 years, to increase the diversity and tenor of its debt facilities. GMT also extended its retail bond programme, issuing a new NZ$100 million senior, secured seven year bond.

**$7.6bn**

**Available investment capacity**

**>16%**

**Average total managed partnership returns**


A D
V A

D E D


## SUSTAINING GROWTH IN EVERYTHING WE DO

See how a European sports retailer is building capability in China, surplus land is being transformed into logistics space in Australia, a power and rail group is running at full steam ahead in the UK and a German culinary giant knows when less is more. Learn how employee friendly warehouses are the future in Japan, a glass lens is putting the focus on being sustainable and flexible in the land of the long white cloud, and the demand for large format developments in Los Angeles is growing. Then you'll understand how we're truly adding value around the globe.

**Photo.** ATL Logistics Centre, Hong Kong

L U E

> **"The partnership currently holds assets with a total investment value of $830 million."**
>
> **LINDSAY PARTRIDGE**
> MANAGING DIRECTOR,
> BRICKWORKS


DHL, Oakdale Industrial Estate, Sydney, Australia.

# LAND TRANSFORMED


# AUSTRALIA

It makes sense for a property developer with the expertise to build infrastructure and a building products supplier with plenty of spare land to embark on a joint venture. That's exactly what Goodman and Brickworks did in 2003.

The partnership is currently committed to 107 hectares of prime industrial land at Eastern Creek in New South Wales (NSW) and Rochedale in Queensland (QLD). For Goodman the result is efficient access to well-located land suitable for industrial development, with the benefit of not having to buy the land up front. For Brickworks, it's the promise of generating income from surplus land.

Land is provided on a draw down basis as required. This also means we at Goodman are able to secure new customers, and provide flexibility for existing ones, due to the agreement's ability to accommodate growth.

A Voluntary Planning Agreement with the NSW State Government has also been entered into by Goodman to enhance the associated infrastructure by constructing a $23 million regional road upgrade at Oakdale Industrial Estate.

Developments at five industrial estates have already been completed across NSW and QLD.

Lindsay Partridge, Managing Director, Brickworks, says, "In Goodman we have a professional and complementary partner who has unrivalled industry expertise and market knowledge. The partnership currently holds assets with a total investment value of $830 million."

At Oakdale Industrial Estate, two facilities are being developed on behalf of global logistics services provider, DHL Supply Chain. On completion, the business will occupy a total of 146,715 sqm across six facilities within the Estate.

At Rochedale Motorway Estate we have a pre-committed development underway for a 13,000 sqm distribution centre on behalf of ceramic tile and bathroomware distributor, Beaumont Tiles. The customer chose the 24 hectare estate, which was acquired through the joint venture with Brickworks, due to its proximity to the Port of Brisbane and resulting transport efficiencies for their retail distribution network.

## NEW ZEALAND


Metro Performance Glass, Highbrook Business Park, Auckland, New Zealand.

In the land of the long white cloud, a glass manufacturer has taken up residence in an award-winning facility purpose-built by Goodman, bringing its four buildings and plants together into one large facility, using its own products throughout.

The business, Metro Performance Glass (Metroglass), recently relocated to Highbrook Business Park on the Waiouru Peninsula in East Tamaki.

The new 16,700 sqm head office, manufacturing and distribution facility received the excellence award for industrial buildings at the Property Council of New Zealand Awards in June this year.

The best in category award acknowledges the scale and success of the development, assessing its merits across a broad range of criteria. It's another award for the estate where the emphasis has always been on quality and consistency of design.

Goodman's design includes a flexible layout to accommodate the manufacturer's new plant machinery and uses efficient planning on the long narrow site to allow for future opportunity and expansion.

The factory layout is optimised for the glass production process but it can be easily reconfigured into two separate high stud warehouses, future proofing the building.

The open plan office is orientated to the vehicle approach from Highbrook Drive while maximising the water views for Metroglass' customers and staff. The office has a series of passive solar and energy saving features, including:

+ high efficiency LED lighting to supplement the large amount of daylight available through roof lights;
+ passive roof ventilators for maintaining air quality without energy use;
+ thermal mass and stability from exposed precast concrete walls; and
+ rainwater harvesting using four 30,000 litre rainwater tanks for considerable savings in potable water demand.

The glass production process is designed to occur linearly, with inwards loading from the southern yard, production process through the length of factory, and dispatch at the northern yard. Vertical clear cladding is utilised to maximise daylight levels for safety and visual comfort while reducing operational energy use.

The entrances to the site, factory and office are easily identifiable from the street. The office entry faces the road with a glazed double height atrium stair and red glazed wind lobby made using Metroglass' own glass products.

"The development team has delivered a design-build property solution that maximises the production and distribution efficiency of Metro Performance Glass, New Zealand's largest glass processor." said John Dakin, Chief Executive Officer Goodman New Zealand.

> **"Goodman has delivered an award winning facility for us at Highbrook."**
>
> NIGEL RIGBY
> CHIEF EXECUTIVE OFFICER, METRO PERFORMANCE GLASS

# GLASS FOCUS

## CHINA

European sports product retailer, Decathlon, is just one business taking up expansive modern industrial property space in the rapidly growing Chinese market.

Goodman is developing two built-to-suit facilities for the retailer at Goodman Hannan Logistics Park in Wuhan and Goodman Hunnan Logistics Centre in Shenyang.

Decathlon will use Goodman Hannan Logistics Park as the main Chinese distribution centre between Europe and Asia for the retailer.

The partnership began when Goodman offered Decathlon their logistics property expertise, development capability and land bank to help map their expansion footprint, quickly identifying suitable sites in Wuhan and Shenyang.

Bruno Thellier, Chief Technical Officer, Decathlon, says, “As our business continues to grow across China, we are conscious of securing efficient warehousing facilities to scale up our distribution capability. We are pleased to have a reliable partner like Goodman to provide us with quality and innovative warehousing solutions to support our growth.”

Identifying new sites that match Decathlon’s business strategy for expansion, understanding their unique operational requirements and designing two built-to-suit facilities, while providing a dedicated Goodman team on the ground have all contributed to the value added by Goodman.

By partnering in this way, Decathlon was able to plan ahead, undertake feasibility tests, and customise their warehouse design.

Other added value solutions offered by Goodman include flexibility in lease structure, help implementing the business’ phased approach to expansion and the ability to meet specific design requests.

Philip Pearce, Managing Director Greater China, Goodman, says, “Our relationship with Decathlon is a reflection of Goodman’s proactive, ongoing engagement with our customers, through design and development of quality built-to-suit logistics facilities.”

Goodman’s partnership with Decathlon also extends to Europe, where Decathlon has committed to the development of a new 40,000 sqm logistics centre near Barcelona, Spain.

# BUILDING CAPABILITY


Decathlon, Goodman Citylink, Yanjiao, China.

**“As our business continues to grow across China, we are conscious of securing efficient warehousing facilities to scale up our distribution capability.”**

BRUNO THELLIER
CHIEF TECHNICAL OFFICER, DECATHLON


Goodman Ichikawa, Tokyo, Japan.

# NEXT GENERATION WAREHOUSES

"Goodman really listens to its customers and works tirelessly to innovate at every opportunity to exceed their customers' needs."

YASUAKI NII
DIRECTOR, OFFICER,
NIPPON EXPRESS CO. LIMITED

## JAPAN

High quality logistics facilities are being built in prime locations with huge success in Japan.

Four Goodman developments are either underway or recently completed across Japan in Greater Tokyo, Osaka Bay and Nagoya.

The quality of facilities, combined with their location, are seen as key factors in their success, due to the employee retention issues faced by Japanese businesses.

Paul McGarry, CEO, Goodman Japan, says, "We have created a unique proposition in Japan with an exceptionally high level of finish and employee amenity, at an attractive price point, which our competitors are yet to replicate."

Just one example of this is the modern sustainable warehouse development at Ichikawa in Tokyo Bay which was 100% pre-leased by three customers one month ahead of completion.

The development is within walking distance to Futamata Station and multiple bus lines and has an exceptional level of finish and employee amenities, making it easy for customers to attract labour in an increasingly tight employment market.

The developer, Goodman Japan Development Partnership (GJDP), is a 50/50 joint venture between Goodman and the Abu Dhabi Investment Council, which then sells the properties to the Goodman Japan Core Fund (GJCF) for long-term ownership.

GJCF is valued at A$1.4 billion and is securely positioned with a high quality, modern portfolio and 100% occupancy.

Institutional investor support is strong, as proven by recent capital raising success. Investors are attracted to the Fund's history of stable returns and the benefits provided by Goodman's own, develop and manage business model.

Focused on providing affordable rents and a high level of employee amenity for a range of complimentary occupiers such as cafés, retail, bus and childcare services, coupled with major transport infrastructure, GJDP is set for ongoing success in Japan.

## UNITED KINGDOM

Goodman has entered into an agreement with Alstom, a leading power generation and transmission, and rail infrastructure group, for the construction of a new production facility and headquarters at the Redhill Business Park, just north of Stafford in the UK.

The new building will provide a high-tech production facility supported by research and development offices and laboratories as well as an ancillary centre of excellence for Alstom's power division to be used for development and training.

The site will accommodate one main building along with associated visitor and employee parking facilities and a separate heavy goods vehicle access road leading to a service yard at the rear of the building.

Alstom's sites in Stafford and Rugby have been at the forefront of engineering developments since the 19th-century and continue to produce cutting edge technology for projects across the world. These sites have set the tone for the new development.

Challenges faced during the planning included a bespoke property solution providing the required balance of production, research and development, testing, training and development and office accommodation.

Geoff North, Project Director, Shared Functions, Alstom Grid, says, "We've enjoyed working collaboratively with Goodman on this project and developing a strong relationship with them, it's an important development for us and Goodman's understanding of the industry, and their ability to efficiently manage the delivery to an excellent standard has been invaluable."

Another part of the challenge was to understand Alstom's automated substation business and provide an effective solution for this.

North, continues, "Goodman's expertise and financial strength have provided us with options to lease or purchase what will become a 'centre of excellence' on completion."

Alstom's substation automaton division is due to move into the new facility by the end of 2016.


Artist's impression: Redhill Business Park, Stafford, United Kingdom.

# FULL STEAM AHEAD

**"It's an important development for us and Goodman's understanding of the industry, and their ability to efficiently manage the delivery to an excellent standard has been invaluable."**

**GEOFF NORTH**
PROJECT DIRECTOR,
SHARED FUNCTIONS, ALSTOM GRID

# WHEN LESS IS MORE

"

**Goodman's solution enabled us to streamline our supply chain and provide even better service to our customers.**

"

DR. CLEMENS WÖHRLE,
WMF GROUP,
PRESIDENT OF OPERATIONS

## GERMANY

If you've ever enjoyed a culinary experience in Europe it's likely your meal was served or prepared using cutlery, tableware and kitchen products made by WMF Group (WMF).

Goodman has developed around 675,000 sqm of logistics space for retail customers in Continental Europe. Our retail logistics expertise, is benefiting WMF by bringing 33 of their German distribution sites into two streamlined warehouse facilities at Dornstadt and Bergkamen, to help the business better service their customers in Europe.

Goodman's reputation as a reliable and experienced logistics property partner, with in-depth knowledge of the sector and German market, were key considerations in WMF choosing to work with us.

Christof Prange, Head of Business Development, Goodman Germany, says, "This consolidation is typical of a larger trend by various companies seeking to enhance their logistics networks and searching for cost-savings and optimisation."

The new Dornstadt facility has a flexible and adaptive design, including an inner wall height of over 12 m, which allows WMF to efficiently store its full product range of consumer goods such as cutlery sets, cookware, coffee machines and hotel and restaurant dining equipment for distribution to its own branded stores as well as service retail and institutional customers, such as hotels.

At Bergkamen, we've completed the development of a 40,000 sqm distribution hub, which is now operational and managed by transport and logistics service provider and long-term Goodman customer, DB Schenker.

The consolidation of its logistics operations provides WMF with a centralised hub for storage and distribution. Previously, all WMF brands had their own logistics operations, resulting in inefficient processes with unnecessary ordering complexity for its dealers.

Jordan Corynen, Goodman Regional Director for Germany says, "As we can observe throughout Germany and Europe generally, the consolidation of logistics operations is an important trend in order to increase operational efficiency, which is a key driver of business growth for our customers."


Artist's impression: WMF Group, Dornstadt, Germany.

## UNITED STATES

Just outside Los Angeles, California, Goodman is capitalising on a lack of modern large-scale developments.

The Inland Empire region, arguably the most vibrant area for logistics and distribution centres in the United States, benefits from its close proximity to the ports of Long Beach and Los Angeles and infrastructure designed to move product across the country.

Despite this, over recent years very few development sites for large-scale distribution and warehouse space were submitted for planning approval. This led to an increase in customer demand for facilities over one million square feet (93,000 sqm), due to a lack of supply.

The main challenge we faced in building a successful facility in the region centred on the extreme difficulty in procuring sites, due to fractured ownership.

To resolve this issue we focused on identifying a development site large enough to meet the growing demand for 'big box' distribution. In response, we sourced a 3.3 million sq ft (303,000 sqm) site at Rancho Cucamonga and worked alongside County of San Bernadino to develop a product in a class of its own.

The development features 36 ft (11 m) clear height, 185 ft (56 m) deep concrete truck courts, a cross dock design and sustainable features that have achieved LEED certification, a highly regarded sustainable design standard.

By understanding the demand for these large-scale facilities we were able to resist offers from smaller users and hold out to attract a single, full campus customer.

One month prior to completion Atlanta-based manufacturer Georgia-Pacific, one of the world's leading makers of tissue, pulp, paper, packaging, building products and related chemicals, decided to consolidate operations in the Inland Empire, leasing 100% of the 1.6 million sq ft (148,669 sqm) logistics campus.

Through proactive scheduling with Georgia-Pacific, they were able to occupy early, which also enabled Goodman to achieve project cost savings.

Goodman Logistics Center Rancho Cucamonga, Southern California, US.

# RIGHT


# SIZE

"Goodman delivered an outstanding result for Georgia-Pacific, signing one of the largest logistics leasing deals in Southern California in the past 10 years."

**BILL HEIM**
EXECUTIVE VICE PRESIDENT – PRINCIPAL
LEE & ASSOCIATES

# BUIL

Goodman Interlink, Hong Kong, awarded HK BEAM (gold) and LEED core and shell (silver) certification.

# THE FU


DING
TURE

## SUSTAINABILITY

Goodman's vision to become a global leader in logistics real estate is underpinned by a focused strategy delivering consistent and sustainable growth, and ensuring quality is at the forefront of all investment decisions. Our commitment to sustainability encompasses all areas of Goodman's business, including how we develop and manage our assets, engage with our stakeholders, and create an employee culture committed to Goodman's business model.

Goodman's Corporate Responsibility and Sustainability (CR&S) strategy remains closely aligned with its primary operating activities globally across our property investment, development, management and managed partnership activities. Quality and consistency were key themes for Goodman's CR&S programme over the past year, with particular focus on our development activities across each region. Sustainability highlights for FY2015 include:

+ all of Goodman's 71 completed developments included a range of sustainable design initiatives;
+ certified green developments completed in Japan, Continental Europe, the United States (US) and the United Kingdom (UK);
+ five of six responding Goodman entities achieved GreenStar status in the 2015 Global Real Estate Sustainability Benchmark (GRESB) survey;
+ Goodman Japan Core Fund was awarded Regional Sector Leader for private industrial funds in Asia in the 2015 GRESB survey;
+ roll-out of the Buildings Alive energy monitoring system across the Australian office portfolio, contributing over $800,000 in energy savings;
+ 5.5 Star NABERS Energy rating for Goodman's Sydney head office;
+ LEED certification for Goodman's refurbished Beijing and Chengdu corporate offices; and
+ Planet Mark certification for Goodman's UK Logistics corporate office.

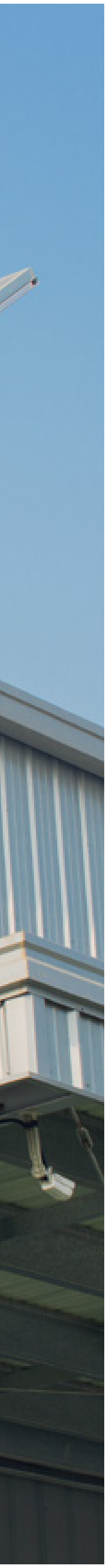
Lytton Motorway Estate, Brisbane, Australia.

## OUR CR&S PROGRAMME

The Group's current CR&S programme is structured to improve the way Goodman conducts its business and is closely aligned with its primary operating activities. Our CR&S strategy currently comprises six programme areas which we believe encompass our material sustainability priorities:

1. Sustainable development – striving to improve the sustainability of our developments, through innovation and working with customers to incorporate design initiatives;
2. Asset management – managing and investing in our assets to improve efficiency, long-term competitiveness and resilience;
3. Corporate performance – measuring our impact and aiming to improve our overall performance;
4. Regulatory compliance – managing our regulatory obligations;
5. Engagement and reporting – communicating and engaging with our stakeholders regularly; and
6. People and community – inspiring and challenging our people, and supporting various community-based groups through the Goodman Foundation.


Goodman Citylink, Yanjiao, China.



## A FOCUS ON SUSTAINABLE DEVELOPMENT

Demonstrating our commitment to quality, during the year we focused on delivering new logistics assets to a consistent standard across our regions. To oversee this, a Group Technical Director has been appointed with responsibility for ensuring consistency across regional development specifications and the overall quality of Goodman's completed properties.

In Australia, 16 developments were completed during the year, adding a further 320,000 sqm to the Australian portfolio, with a further 17 projects underway at year end. Energy efficiency remains a priority, demonstrated by the installation of high bay lighting systems and through maximising natural lighting into our warehouses.

In Melbourne, the development completed for Röhlig Logistics at West Industry Park included a number of sustainable design features, with approximately 10% of the roof consisting of translucent roof sheeting to increase natural lighting and the installation of motion controlled sensors to enhance the efficient lighting system. At Ferntree Business Park, the two office developments occupied by Olympus and Schneider, received their 5 Star Green Star Office (v3) as Built certified ratings, representing 'Australian Excellence' in environmentally sustainable construction.

In New Zealand, 14 projects were completed with a further nine in progress at the end of the reporting year. Completed developments included Metro Performance Glass at Highbrook Business Park in Auckland, consisting of modern warehouse space, an office and a showroom. The new facility incorporates extensive water recycling, natural lighting in the office areas and sensor controlled lighting throughout the property.

In Japan, developments completed during the year included the 59,000 sqm Goodman Mizue and 64,000 sqm Goodman Ichikawa facilities, both located in the Greater Tokyo region. The developments were completed to a similar level of quality and specification to the LEED Gold certified Goodman Sakai development completed last year. With a focus on internal quality, customer comfort and an employee friendly workspace, both properties have been assessed as an A rating under the Japanese CASBEE system, a rating system used to benchmark the environmental performance of buildings in Japan.

Eight developments were completed in the UK across the Logistics and Business Park businesses during the year, with a further 11 in progress. Completed projects included Hinckley 165 at Hinckley Commercial Park in the East Midlands, which achieved a BREEAM Very Good rating. The UK Logistics business has committed to developing its assets to a minimum BREEAM Very Good rating, ensuring they include a range of sustainable design features. These include translucent roof sheeting to contribute to natural lighting, efficient heating and cooling systems, and water efficient fixtures. As part of an ongoing initiative to reduce $CO_2$, our development team has been evaluating a carbon neutral external wall and cladding system, which has had its unavoidable $CO_2$ emissions offset by the manufacturer.

Our European team continues to strive for innovation, and certification remains a high priority. Our initiative to obtain certification for Goodman's standard base specification under the DGNB rating system has expedited the certification process for individual projects.

LED lighting is becoming more common in our developments in Europe and an attractive option for many of our customers. The 103,000 sqm development for Hammer Group at Bedburg Logistics Centre, Germany includes LED lighting throughout the warehouse and achieved a DGNB Silver rating, while the 123,000 sqm fulfilment centre developed for Amazon in Wroclaw, Poland, included LED lighting and is targeting a BREEAM certification.

In the US, our development team has completed the 148,699 sqm Goodman Logistics Center Rancho Cucamonga, located in the Inland Empire market of Southern California. The LEED Silver certified facility comprises two warehouses which incorporate significant natural lighting.

China continues to be one of Goodman's most active regions with 12 projects completed during the year, adding 562,000 sqm to the portfolio, and an additional 15 projects now in progress, representing a further 643,000 sqm. The ongoing implementation of Goodman's quality standards and new sustainability design initiatives into our developments has been a focus for the development team in China.


Lytton Motorway Estate, Brisbane, Australia.


Goodman Landport Logistics Estate, Tianjin, China.

## CASE STUDIES

**Lytton Motorway Estate, Brisbane, Australia**
The Estate comprises 38,664 sqm of warehouse and 1,332 sqm of associated office space. It is well located near the Port of Brisbane, while providing easy access to the Gateway Motorway servicing the greater Brisbane region. The development was completed in May 2015 and includes a range of sustainability features:

+ efficient T5 high bay lighting with daylight and motion sensors;
+ translucent roof sheeting to maximise natural lighting;
+ solar hot water;
+ 62,000 litre rainwater harvesting tank for use in the amenities and irrigation; and
+ a selection of native plants in the landscaping with low irrigation requirements.

**Goodman Landport Logistics Estate (Phase 2), Tianjin, China**
The 46,000 sqm Goodman Landport Logistics Estate is a multi-customer estate located in the north east of Beichen District, mid-way between Beijing and Tianjin, providing efficient access to and from Tianjin city, as well as the northern and southern parts of China.

Goodman worked closely with its customer, Best Logistics, to include a range of sustainability requirements, within a facility which will serve as their regional packaging and logistics centre. The sustainable features included:

+ T5 energy efficient lighting;
+ office wall insulation to reduce heating and cooling costs;
+ translucent roof sheets to increase natural light into the warehouse; and
+ external LED lighting.

## MANAGING THE PERFORMANCE OF OUR ASSETS

During the year, Goodman's property services teams completed a range of projects aimed at improving the performance of our assets globally. The upgrade of lighting systems remains one of the most effective ways to reduce energy consumption and our customers' costs, particularly as LED technology costs are becoming comparable with other technologies when evaluated over the longer term.

At Centenary Distribution Centre in Moorebank, Sydney, our property services team completed a major lighting upgrade throughout the warehouse, replacing the existing light fittings with a new LED high bay lighting solution. This is estimated to reduce energy consumption by up to 335,800 kWh annually, and improve the lighting performance across the floor space.

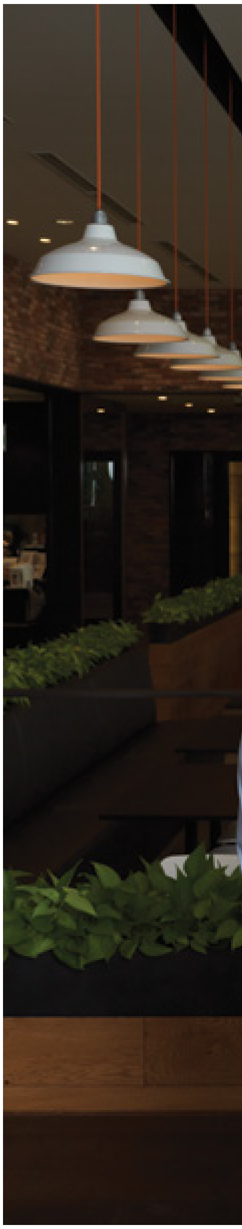
At City West Office Park in Pyrmont, Sydney, our engineering team completed an overhaul of the mechanical air conditioning system, installing new efficient chillers and variable speed drives on system pumps and fans. The completed works are expected to reduce energy consumption by approximately 10%.

One of the most effective initiatives implemented was the roll-out of the Buildings Alive energy monitoring system across many of the Australian based office assets after an extensive trial. The system provides our building managers with a powerful performance report, allowing them to make timely operating changes to improve performance. The project has resulted in approximately $800,000 in energy savings across the office portfolio.

Across the New Zealand portfolio, several energy projects were completed during the year, including the implementation of an energy metering system at three properties, HVAC upgrades and lighting refurbishments. At the IAG Building at Show Place in Christchurch, Goodman completed an overhaul of the building's HVAC system, installation of LED lighting, energy metering and a new building management system. Energy savings resulting from the upgrade will be tracked during the coming year.

In Hong Kong, our property services team completed several improvement projects across the portfolio with a focus on energy consumption. Projects included a major lighting upgrade at Yuen Long Logistics Centre where the existing lights were replaced with LED fixtures, estimated to reduce energy consumption by approximately 30%. At ATL Logistics Centre, ongoing upgrade works included an overhaul of the air conditioning system in the common areas of the building, as well as an upgrade to efficient T5 fluorescent lighting in the ramp driveways.

In Continental Europe, Goodman launched a major LED lighting initiative which our development teams are integrating into many pre-lease agreements for new development projects. For our stabilised portfolio, our property services team is successfully negotiating LED lighting as an incentive for lease extensions, most recently in France and Belgium. These initiatives will provide significant cost savings to our customers and will increase the value of our properties. When all the installation projects are completed, Goodman will manage more than 700,000 sqm of logistics space equipped with LED lighting.



## RENEWABLE ENERGY IN JAPAN

As reported in last year's annual report, our team in Japan has installed approximately 10 MW of solar photovoltaic (PV) capacity in our Japanese portfolio, across both new developments and stabilised properties. During the past year, a further 3.6 MW of solar PV capacity was installed at three projects, including 1.3 MW at Goodman Ichikawa and 1.2 MW at Goodman Mizue located in Greater Tokyo, and 1.1 MW at Goodman Obu in Nagoya.

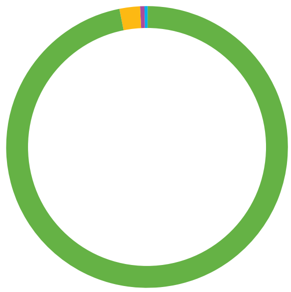
Goodman Sakai, Osaka, Japan.

## AUSTRALIAN GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions (GHG) in Goodman's Australian operations for the 2015 financial year have been estimated at 41,630.73 $tC0_2$-e. The decrease in our emissions this year is primarily due to the sale of several older assets in Australia, the sub-metering of customer power consumption, most notably at Sydney Corporate Park in Sydney, and efficiencies across the portfolio.

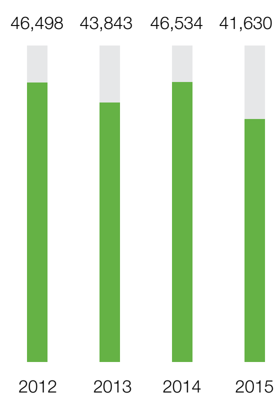
Our GHG calculation includes scope 1 and 2 emissions generated from Goodman's Australian property and building management services within the operational control of Goodman, including assets owned directly by Goodman and those within our Australian managed partnerships. Our data does not include the carbon emissions of our customers.

### Goodman's Australian carbon emissions



- Electricity **96.77%**
- Gas **2.36%**
- Petrol **0.5%**
- Diesel **0.37%**

### Greenhouse gas emissions ($tCO_2$-e)



## THE GOODMAN FOUNDATION

The Goodman Foundation has a comprehensive strategy focused on providing support and contributing to the community. This is delivered through the distribution of cash, volunteering, workplace giving and in-kind programmes with long-term (3+ years) partnerships developed and being implemented with charitable organisations in all Goodman locations. Through our strategic partnerships with more than 56 charities in 2015, the Goodman Foundation is building communities and making a meaningful difference to the lives of disadvantaged people and vulnerable communities around the world.

The Goodman Foundation is represented across Australia, New Zealand, Greater China, the UK, France, Belgium, Germany and Poland. Expansion of the Foundation's activities is continuing across Europe, Japan and the US.

Many of our community partners not only benefit from receiving Foundation grants, but also through fundraising and volunteer support from Goodman staff in our good+heart programme, together with regular payroll donations through the Goodman good+deeds workplace giving programme.

The charter of the Goodman Foundation is focused on improving the quality of life and standard of living of people in the communities where Goodman operates through the support of a range of community programmes. In 2015, we helped to establish many new initiatives with our current partners and also supported the following new organisations – Cerebral Palsy Alliance, The Shepherd Centre, The Fred Hollows Foundation, Feeding Hong Kong and the Black Dog Institute.

## CASE STUDY — GOOD360 AUSTRALIA

Good360 Australia (Good360) provides charities of all sizes with access to vital corporate product donations enabling them to save money, expand programmes and strengthen their social and community impact.

Since inception in early 2014, Good360 has established their sophisticated technology platform, which connected their first 250 charities with over $3 million of donated product.

The space provided by Goodman in Alexandria, Sydney has helped Good360 grow from a volunteer based organisation with two staff, to now employing 10 people and an additional 10 skilled volunteers. The warehouse/storage space has enabled Good360 to reconfigure a range of goods to help Australians in need.

Goodman also participated in their Sponsor a Charity campaign, by sponsoring 10 charities. These charities are now registered with Good360 and are eligible to receive donated product relevant to their programme services, enabling them to save money, expand programmes and help communities.

> **"As founding partners, the support of the Goodman Foundation has enabled Good360 to leverage further support of other corporates, creating stronger, more efficient and financially sustainable business."**

ALISON COVINGTON
FOUNDER AND MANAGING DIRECTOR,
GOOD360 AUSTRALIA

"The Bread & Butter Project is a social enterprise bakery supporting communities through the delivery of traineeships and employment pathways to refugees and asylum seekers in need. Goodman has supported our programme from the beginning, which has been fundamental to ensuring our early success and in assisting with the continued growth of the project. We are delighted to have Goodman as a partner and for their support of The Bread & Butter Project as we grow our organisation into the future."

CHRIS GREEN
CHAIRMAN

Qingcongquan, Great Australian Charity BBQ, China.

## STAFF ENGAGEMENT PROGRAMMES

The Goodman Foundation conducts two employee focused programmes called good+deeds and good+heart. These two programmes allow Goodman employees to contribute in various ways to several organisations which are making a real difference to people's quality of life.

The good+deeds programme is an employee workplace giving programme, where Goodman employees can offer financial support to charities they have selected, with contributions matched by the Goodman Foundation.

Organisations participating in good+deeds in 2015 included Clown Doctors, Australian Cancer Research Foundation (ACRF), Youngcare, House of Welcome, TNC Inc., EDA, FareShare, Kids under Cover and the Property Industry Foundation within Australia.

Other Goodman locations supported: MS New Zealand, Ronald McDonald House New Zealand, Starship Foundation New Zealand, Diabetes New Zealand, Fu Hong Society (Hong Kong), Children's Cancer Foundation (Hong Kong), Shanghai Charity Fund (China) and UNICEF (China). Goodman employees also donated to several emergency relief appeals run by Red Cross across the region.

The good+heart programme is all about employee engagement and under this programme the Goodman Foundation provides our people with the opportunity to make a difference by taking action. Under good+heart, Goodman team members can fundraise for a cause they are passionate about, volunteer their time or expertise or participate in a charity fundraising event.

Goodman provides encouragement and support in a number of ways to participants of good+heart, by funding the entry fees or costs of the event, making a donation to the cause, providing time off work and sourcing and organising opportunities for participation throughout the year.

During the year our staff have taken part in a new mentoring initiative under the good+heart programme which involved completing TAFE accredited training in mentoring and weekly mentoring sessions with year 8 students under the guidance of the Raise Foundation's "In-School Mentoring Programme" in disadvantaged schools across Sydney.

Another major global good+heart event which was well received in each of our offices was "Steptember 14", the major fundraising initiative of Cerebral Palsy Alliance. Goodman had a total of almost 100 teams of four people participate, raising close to $50,000.

Some of the other good+heart initiatives undertaken over the past year include: MS Gong Ride (MS Australia), Balmoral Burn (Humpty Dumpty Foundation), City2Surf (OzHarvest and ACRF), Endure for a Cure (Children's Cancer Institute of Australia), Entoure Bike Ride (Clown Doctors), Kayak for Kids (Kickstart), Great Potentials New Zealand, CBRE Property Industry Bike Ride (UK) and Goodman Interlink Magic Mile (Feeding Hong Kong).

**The selected charities that Goodman supported during the 2015 financial year with cash grants or warehouse/office facilities include:**

+ Australian Cancer Research Foundation
+ Bestest Foundation
+ Black Dog Institute
+ Books in Homes
+ Bread and Butter Project
+ Cerebral Palsy Alliance
+ Children's Cancer Institute of Australia
+ Clown Doctors
+ Duffy Books in Homes (New Zealand)
+ EDA (Educational Development Association)
+ FareShare
+ Feeding Hong Kong (Hong Kong)
+ Fu Hong Society (Hong Kong)
+ Good Beginnings Australia
+ Good360
+ House with No Steps
+ Humpty Dumpty Foundation
+ KiwiHarvest (New Zealand) – Founding Partner
+ Mission Australia
+ MS Australia
+ National Centre of Indigenous Excellence (NCIE)
+ NSPCC (UK)
+ Oxfam
+ OzHarvest
+ Property Industry Foundation
+ Qingcongquan (China)
+ Raise Foundation
+ Red Cross (Australia, New Zealand and Greater China)
+ Rising Foundation (New Zealand)
+ SOS Children's Villages (Belgium, France, Germany and Poland)
+ Special Olympics
+ The Amazing Magic Club
+ The Fred Hollows Foundation (Hong Kong)
+ The Helmsman Project
+ The Salvation Army
+ The Shepherd Centre
+ TNC Inc.
+ Victory Boxing (New Zealand)
+ Yalari
+ Youngcare

## DIVERSITY

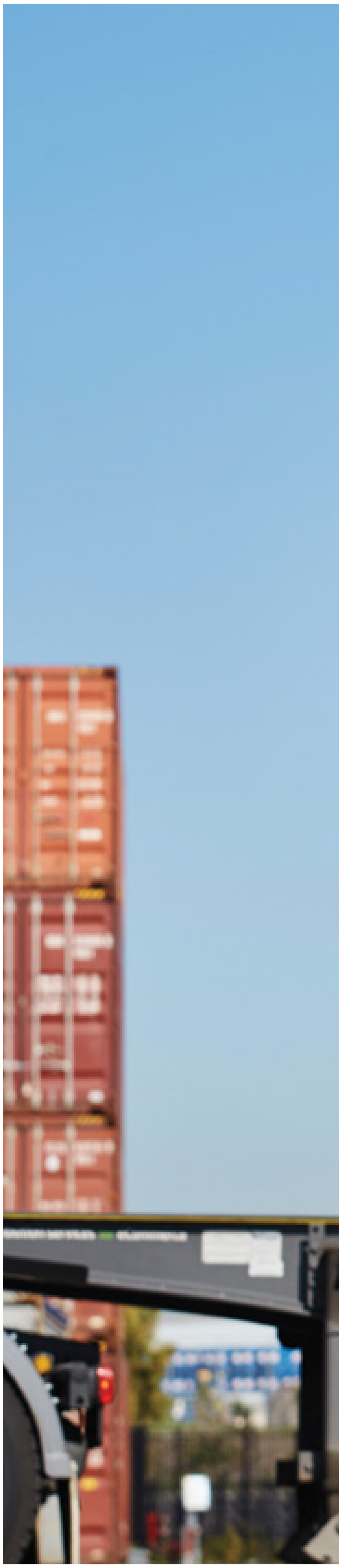
Goodman operates in markets that are geographically and culturally diverse. As a response to this, the primary objective of the Group's Diversity Strategy is to create a work environment which is inclusive, transparent and allows all employees to contribute equally to the achievement of the Group's commercial objectives, along with recognition of the diversity of the Group's customers and investors and their particular requirements.

The strategy is comprised of a range of initiatives which are all related to enhancing Goodman's work environment and driving improved career development opportunities for all employees, but with particular emphasis on gender representation. Increasing the representation of female employees at senior levels is an important long-term objective. Demonstrating this, the Group has set aspirational targets for the representation of women in senior executive and executive roles.

For the 2015 financial year, the representation of women within these categories increased, with a number of female employees moving into expanded roles with greater complexity and scope. Despite this encouraging progress, the Group recognises that further work is required over the longer term in relation to achieving greater representation of females within senior management roles and has invested in better performance management and learning and development strategies to support this.

During the year, we introduced new diversity initiatives and continued to build on existing programmes and initiatives from previous years. In particular, highlights were:

+ global implementation of a corporate social network platform that furthers internal communication and provides employees with the opportunity to comment on issues and publicise local news and events. This has led to greater awareness of Goodman's activities in each region and has been successful in generating a feeling of inclusion amongst employees, especially those in more remote offices;
+ continuation of specific and targeted programmes, such as Future+Women in Australia, which is designed to specifically address barriers to career progression for female employees. The programme was reviewed in 2015 and changes were made in response to participant feedback, to provide a greater emphasis on women driving their own career development opportunities and seeking assistance from their manager or other leaders within the Group;
+ introduction of one-on-one coaching for female employees as part of the above programme;
+ development and roll-out of the Maximise management development programme in Australia, with the planned introduction of this in China in 2016. The programme is designed to increase management skills through various action learning strategies and has been positively received;



+ senior executive management development programmes were conducted in Continental Europe, which encourage senior managers to think broadly about team management in the context of geographical and cultural diversity. Feedback from participants was very positive and this programme will be expanded in the 2016 financial year to additional managers, especially those with larger teams;
+ appointment of a Group Learning and Development Manager, with primary responsibility for the identification and design of learning requirements across a wide range of technical, compliance and skill based areas. This will be a long-term focus for the Group and is designed to further improve overall organisational capability;
+ implementation of an enhanced performance management system with improved functionality in regard to assessment of employees against key performance indicators. As part of this process, employees are strongly encouraged to outline their career aspirations and create development plans in support of these;
+ implementation of online learning content that provides employees with the opportunity to access a wide range of work-related training content; and
+ review of employment policies in several key locations to ensure that any barriers to participation are minimised through policies, such as parental leave and flexible work. With regard to flexible work, this is becoming more common at Goodman and is reinforced by the further implementation of the Group's Space To Work office model.

## CORPORATE GOVERNANCE

Goodman's Corporate Governance Statement can be viewed on our website at http://www.goodman.com/about-us/corporate-governance/statement

# FIVE YEAR FINANCIAL SUMMARY

| | 2011 $M | 2012 $M | 2013 $M | 2014 $M | 2015 $M |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Gross property income | 225.1 | 235.7 | 219.6 | 207.7 | 206.1 |
| Management income | 120.9 | 139.2 | 181.0 | 205.5 | 215.3 |
| Development income | 341.2 | 340.1 | 471.6 | 767.6 | 763.7 |
| Distributions from investments | 27.1 | 22.2 | 3.1 | 2.0 | – |
| Net gain/(loss) on disposals of assets | 67.4 | 34.2 | 12.8 | 2.4 | 41.5 |
| Net (loss)/gain from fair value adjustments on investment properties | (26.4) | 6.5 | 28.0 | 48.6 | 515.9 |
| Share of net results of equity accounted investments | 174.5 | 166.6 | 228.8 | 445.2 | 614.1 |
| **Total income** | **929.8** | **944.5** | **1,144.9** | **1,679.0** | **2,356.6** |
| Property expenses | (58.6) | (61.7) | (59.7) | (60.1) | (59.4) |
| Development expenses | (262.9) | (216.0) | (311.4) | (579.8) | (619.0) |
| Employee expenses | (83.6) | (87.3) | (98.8) | (132.7) | (144.8) |
| Share based payments expense | (12.2) | (24.4) | (26.4) | (32.0) | (51.0) |
| Administrative and other expenses | (53.9) | (64.0) | (70.5) | (74.0) | (76.2) |
| Impairment losses | (47.2) | (89.5) | (65.4) | (14.4) | (28.2) |
| Restructuring costs | – | – | (9.8) | – | – |
| Net finance income/(costs) | 49.1 | 58.6 | (303.7) | (94.3) | (127.8) |
| **Total expenses** | **(469.3)** | **(484.3)** | **(945.7)** | **(987.3)** | **(1,106.4)** |
| Profit before income tax | 460.5 | 460.2 | 199.2 | 691.7 | 1,250.2 |
| Income tax expense | (7.5) | (9.7) | (15.9) | (13.0) | (21.0) |
| **Profit for the year** | **453.0** | **450.5** | **183.3** | **678.7** | **1,229.2** |
| Profit attributable to other non-controlling interests | (61.0) | (42.2) | (22.3) | (21.4) | (21.2) |
| **Profit attributable to Securityholders** | **392.0** | **408.3** | **161.0** | **657.3** | **1,208.0** |
| **Operating profit reconciliation (non-IFRS)** | | | | | |
| **Operating profit available for distribution** | **383.9** | **463.4** | **544.1** | **601.1** | **653.5** |
| **Adjustments for:** | | | | | |
| Property valuation gains/(losses) | 16.0 | (6.6) | (36.7) | 172.4 | 709.7 |
| Non-property related impairment losses | (26.2) | (21.5) | – | – | – |
| Derivative mark to market and unrealised foreign exchange movements | 35.1 | 5.1 | (293.0) | (78.4) | (99.8) |
| Other non-cash adjustments or non-recurring losses | (16.8) | (32.1) | (53.4) | (37.8) | (55.4) |
| **Profit attributable to Securityholders** | **392.0** | **408.3** | **161.0** | **657.3** | **1,208.0** |
| **Operating profit per stapled security (cents per security)[1]** | **28.3** | **30.5** | **32.4** | **34.8** | **37.2** |
| **Distributions (cents per security)** | **17.5** | **18.0** | **19.4** | **20.7** | **22.2** |

1. Fully diluted for performance rights.

| | 2011 $M | 2012 $M | 2013 $M | 2014 $M | 2015 $M |
|---|---|---|---|---|---|
| **Balance sheet** | | | | | |
| Cash and receivables | 548.5 | 605.9 | 1,172.8 | 780.8 | 1,137.0 |
| Property assets | 3,409.6 | 3,469.8 | 3,355.4 | 3,663.0 | 4,337.7 |
| Equity accounted investments | 2,597.4 | 2,893.4 | 3,243.1 | 3,855.6 | 4,508.8 |
| Intangible assets | 827.9 | 783.2 | 891.4 | 932.7 | 976.4 |
| Other (including derivative financial instruments) | 181.5 | 467.6 | 228.0 | 171.8 | 302.4 |
| **Total assets** | **7,564.9** | **8,219.9** | **8,890.7** | **9,403.9** | **11,262.3** |
| Payables and provisions[1] | 467.0 | 512.2 | 520.0 | 656.8 | 732.0 |
| Interest bearing liabilities | 1,913.8 | 2,347.5 | 2,249.8 | 2,160.5 | 2,707.9 |
| Other (including derivative financial instruments)[1] | 170.2 | 185.6 | 285.2 | 356.2 | 446.3 |
| **Total liabilities** | **2,551.0** | **3,045.3** | **3,055.0** | **3,173.5** | **3,886.2** |
| Net assets | 5,013.9 | 5,174.6 | 5,835.7 | 6,230.4 | 7,376.1 |
| Non-controlling interests | (573.1) | (318.8) | (331.5) | (325.8) | (325.8) |
| **Net assets (after non-controlling interests)** | **4,440.8** | **4,855.8** | **5,504.2** | **5,904.6** | **7,050.3** |
| NTA per security ($) | 2.45 | 2.54 | 2.69 | 2.88 | 3.46 |
| Gearing ratio[2] (%) | 23.0 | 23.9 | 18.5 | 19.5 | 17.3 |
| **Statement of changes in equity** | | | | | |
| Total equity at the beginning of the year | 4,746.6 | 5,013.9 | 5,174.6 | 5,835.7 | 6,230.4 |
| Total comprehensive income for the year | 325.7 | 429.9 | 460.2 | 797.4 | 1,429.2 |
| | **5,072.3** | **5,443.8** | **5,634.8** | **6,633.1** | **7,659.6** |
| Contributions of equity, net of transaction costs | 241.7 | 33.3 | 441.4 | 42.1 | 89.3 |
| Distributions provided or paid | (250.0) | (283.1) | (243.7) | (445.4) | (388.3) |
| Other transactions with equity holders | 10.9 | 22.8 | 20.9 | 27.7 | 36.7 |
| Movements in non-controlling interests during the year | (61.0) | (42.2) | (17.7) | (27.1) | (21.2) |
| **Total equity at the end of the year** | **5,013.9** | **5,174.6** | **5,835.7** | **6,230.4** | **7,376.1** |
| **Cash flow statement** | | | | | |
| Net cash provided by operating activities | 294.4 | 266.8 | 356.1 | 404.4 | 654.7 |
| Net cash used in investing activities | (355.5) | (220.8) | 146.4 | (228.5) | (147.8) |
| Net cash (used in)/provided by financing activities | (226.2) | 37.0 | (167.9) | (461.4) | (120.3) |
| Net (decrease)/increase in cash held | (287.3) | 83.0 | 334.6 | (285.5) | 386.6 |
| Cash at the beginning of the year | 515.1 | 227.8 | 310.8 | 645.4 | 359.9 |
| **Cash at the end of the year** | **227.8** | **310.8** | **645.4** | **359.9** | **746.5** |

1. To conform with the current year's presentation, certain prior year comparatives have been reclassified.

2. Gearing calculated as total interest bearing liabilities over total assets.

## GREGORY GOODMAN
GROUP CHIEF EXECUTIVE OFFICER

## ANTHONY ROZIC
DEPUTY GROUP CHIEF EXECUTIVE OFFICER

## NICK VRONDAS
GROUP CHIEF FINANCIAL OFFICER

## NICK KURTIS
GROUP HEAD OF EQUITIES

# GROUP EXECUTIVES

## JAMES INWOOD

GROUP HEAD OF FUNDS MANAGEMENT

## JOHN TAYLOR

GROUP GENERAL MANAGER,
HUMAN RESOURCES

## MICHAEL O'SULLIVAN

GROUP CORPORATE EXECUTIVE

## CAROLYN SCOBIE

GROUP GENERAL COUNSEL

## ALISON BRINK

GROUP GENERAL MANAGER,
MARKETING AND COMMUNICATIONS

## LUC LAFONTAN

GROUP CHIEF INFORMATION OFFICER

**JASON LITTLE**
GENERAL MANAGER,
AUSTRALIA

**JOHN DAKIN**
CHIEF EXECUTIVE OFFICER,
NEW ZEALAND

**PHILIP PEARCE**
MANAGING DIRECTOR,
GREATER CHINA

**PAUL MCGARRY**
CHIEF EXECUTIVE OFFICER,
JAPAN

# REGIONAL EXECUTIVES

## PHILIPPE VAN DER BEKEN
MANAGING DIRECTOR,
CONTINENTAL EUROPE

## CHARLES CROSSLAND
MANAGING DIRECTOR,
UK LOGISTICS

## DANNY PEETERS
EXECUTIVE DIRECTOR, CORPORATE

## JIM JOHNSTON
MANAGING DIRECTOR,
UK BUSINESS PARKS

## BRANDON BIRTCHER
CHIEF EXECUTIVE OFFICER,
NORTH AMERICA

## MR GREGORY GOODMAN

GROUP CHIEF EXECUTIVE OFFICER,
APPOINTED 7 AUGUST 1998

## MR IAN FERRIER, AM

INDEPENDENT CHAIRMAN,
APPOINTED 1 SEPTEMBER 2003

## MR PHILIP FAN

INDEPENDENT DIRECTOR,
APPOINTED 1 DECEMBER 2011

## MS REBECCA MCGRATH

INDEPENDENT DIRECTOR,
APPOINTED 3 APRIL 2012

## MS ANNE KEATING

INDEPENDENT DIRECTOR,
APPOINTED 23 FEBRUARY 2005

# BOARD OF DIRECTORS

## MR JIM SLOMAN, OAM

INDEPENDENT DIRECTOR,
APPOINTED 1 FEBRUARY 2006

## MR DANNY PEETERS

EXECUTIVE DIRECTOR, CORPORATE,
APPOINTED 1 JANUARY 2013

## MR ANTHONY ROZIC

DEPUTY GROUP CHIEF EXECUTIVE OFFICER,
APPOINTED 1 JANUARY 2013

## MR PHILLIP PRYKE

INDEPENDENT DIRECTOR,
APPOINTED 13 OCTOBER 2010

## MR PHILIP PEARCE

MANAGING DIRECTOR, GREATER CHINA,
APPOINTED 1 JANUARY 2013

## MR JOHN HARKNESS

INDEPENDENT DIRECTOR,
APPOINTED 23 FEBRUARY 2005

## MR CARL BICEGO

COMPANY SECRETARY,
APPOINTED 24 OCTOBER 2006

# SECURITIES INFORMATION

| Top 20 Securityholders As at 31 August 2015 | Number of securities | Percentage of total issued securities |
|---|---|---|
| 1. HSBC Custody Nominees (Australia) Limited | 561,432,595 | 31.72 |
| 2. J P Morgan Nominees Australia Limited | 518,472,715 | 29.29 |
| 3. National Nominees Limited | 222,983,516 | 12.60 |
| 4. Citicorp Nominees Pty Limited | 146,529,619 | 8.28 |
| 5. BNP Paribas Noms Pty Ltd <DRP> | 62,254,651 | 3.52 |
| 6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C> | 33,337,940 | 1.88 |
| 7. AMP Life Limited | 27,252,526 | 1.54 |
| 8. Trison Investments Pty Ltd | 24,553,846 | 1.38 |
| 9. Beeside Pty Limited | 16,923,077 | 0.96 |
| 10. CPU Share Plans Pty Ltd <GMG LTI Unallocated A/C> | 9,824,337 | 0.56 |
| 11. Bond Street Custodians Limited <ENH Property Securities A/C> | 4,289,593 | 0.24 |
| 12. RBC Investor Services Australia Nominees Pty Limited <PISelect> | 3,862,087 | 0.22 |
| 13. RBC Investor Services Australia Nominees Pty Limited <APN A/C> | 3,814,717 | 0.22 |
| 14. HSBC Custody Nominees (Australia) Limited | 3,135,503 | 0.18 |
| 15. National Nominees Limited <DB A/C> | 3,026,828 | 0.17 |
| 16. UBS Nominees Pty Ltd | 2,737,199 | 0.15 |
| 17. BNP Paribas Noms (NZ) Ltd <DRP> | 2,626,428 | 0.15 |
| 18. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> | 2,593,935 | 0.15 |
| 19. Questor Financial Services Limited <TPS RF A/C> | 2,360,181 | 0.13 |
| 20. HSBC Custody Nominees (Australia) Limited – A/C 2 | 2,168,306 | 0.12 |
| Securities held by top 20 Securityholders | 1,654,179,599 | 93.46 |
| Balance of securities held | 115,877,003 | 6.54 |
| Total issued securities | 1,770,056,602 | 100.00 |

| Range of securities | Number of Securityholders | Number of securities | Percentage of total issued securities |
|---|---|---|---|
| 1 – 1,000 | 6,123 | 3,008,137 | 0.17 |
| 1,001 – 5,000 | 9,514 | 23,967,419 | 1.35 |
| 5,001 – 10,000 | 2,708 | 19,354,240 | 1.09 |
| 10,001 – 100,000 | 1,749 | 37,186,293 | 2.10 |
| 100,001 – over | 108 | 1,686,540,513 | 95.28 |
| Rounding | | | 0.01 |
| Total | 20,202 | 1,770,056,602 | 100.00 |

There were 647 Securityholders with less than a marketable parcel in relation to 9,038 securities as at 31 August 2015.

| Substantial Securityholders[1] | Number of securities |
|---|---|
| Leader Investment Corporation; China Investment Corporation | 168,462,083 |
| State Street | 106,113,676 |
| Blackrock, Inc. | 103,955,559 |
| Vanguard Group | 102,759,342 |
| AMP Limited | 87,927,845 |

1. In accordance with latest Substantial Securityholder Notices as at 31 August 2015.

### Goodman Logistics (HK) Limited CHESS Depository Interests

ASX reserves the right (but without limiting its absolute discretion) to remove Goodman Logistics (HK) Limited, Goodman Limited and Goodman Industrial Trust from the official list of the ASX if a CHESS Depository Interest (CDI) referencing an ordinary share in Goodman Logistics (HK) Limited, a share in Goodman Limited or a unit in Goodman Industrial Trust cease to be stapled, or any new securities are issued by Goodman Logistics (HK) Limited, Goodman Limited or Goodman Industrial Trust and are not (or CDIs in respect of them are not) stapled to equivalent securities in the Goodman Group.

### Voting rights

On a show of hands at a general meeting of Goodman Limited or Goodman Industrial Trust, every person present who is an eligible Securityholder shall have one vote and on a poll, every person present who is an eligible Securityholder shall have one vote for each Goodman Limited share and one vote for each dollar value of Goodman Industrial Trust units that the eligible Securityholder holds or represents (as the case may be). At a general meeting of Goodman Logistics (HK) Limited, all resolutions will be determined by poll, and eligible Securityholders will be able to direct Chess Depositary Nominees Pty Limited to cast one vote for each Chess Depositary Instrument (referencing a Goodman Logistics (HK) Limited share) that the eligible Securityholder holds or represents (as the case may be).

### On-market buy-back

There is no current on-market buy-back.

# CORPORATE DIRECTORY

## GOODMAN GROUP

**Goodman Limited**
ABN 69 000 123 071
**Goodman Industrial Trust**
ARSN 091 213 839
**Responsible Entity**
Goodman Funds Management Limited
ABN 48 067 796 641; AFSL Number 223621
**Goodman Logistics (HK) Limited**
Company No. 1700359; ARBN 155 911 149

## OFFICES

**Registered offices**
Level 17
60 Castlereagh Street
Sydney NSW 2000
Australia
GPO Box 4703
Sydney NSW 2001
Telephone 1300 791 100 (within Australia)
+61 2 9230 7400 (outside Australia)
Facsimile +61 2 9230 7444
Email info@goodman.com
Website www.goodman.com

Suite 2008
Three Pacific Place
1 Queen's Road East
Hong Kong
Telephone +852 2249 3100
Facsimile +852 2525 2070

## OTHER OFFICES

Adelaide
Amsterdam
Auckland
Barcelona
Beijing
Birmingham
Brisbane
Brussels
Budapest
Chengdu
Christchurch
Cracow
Düsseldorf
Guangzhou
Hamburg
Hong Kong
London
Los Angeles
Luxembourg
Madrid
Melbourne
Osaka
Paris
Perth
Poznan
Prague
Reading
São Paulo
Shanghai
Sydney
Tokyo
Warsaw

## DIRECTORS

**Mr Ian Ferrier, AM**
Independent Chairman
**Mr Gregory Goodman**
Executive Director
**Mr Philip Fan**
Independent Director
**Mr John Harkness**
Independent Director
**Ms Anne Keating**
Independent Director
**Ms Rebecca McGrath**
Independent Director
**Mr Philip Pearce**
Executive Director
**Mr Danny Peeters**
Executive Director
**Mr Phillip Pryke**
Independent Director
**Mr Anthony Rozic**
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Independent Director

## COMPANY SECRETARY

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Goodman

ADDED
'WE MAKE THINGS HAPPEN'
VALUE
GOODMAN GROUP ANNUAL REPORT 2015

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# CONTENTS

## A sustainable business

2015 was an outstanding year for Goodman, which saw the Group deliver $653 million in operating profit, representing 9% growth on 2014. The result was earned in an environment marked by the low cost of money and strong demand for our e-commerce and logistics space around the world. This allowed Goodman to optimise its performance and also led to a significant contribution from the Group's urban renewal programme in Sydney.

**Financial highlights for the 2015 financial year (FY2015) include:**

+ operating profit of $653 million, a 9% increase on FY2014;
+ statutory profit of $1,208 million, including $710 million in revaluations that also contributed to a 20% increase in net tangible assets;
+ operating earnings per security (EPS) of 37.2 cents, up 7.1% on FY2014;
+ distribution per security of 22.2 cents, up 7% on FY2014;
+ total GMG Securityholder return (TSR) of 30% for FY2015, with average TSR of 20% over the last five years;
+ a strong financial position maintained, with balance sheet gearing of 17.3% and interest cover ratio of 6.0x; and
+ group liquidity at $1.8 billion, covering maturities to December 2019.

Following on from a successful FY2015, we are well positioned to deliver FY2016 operating EPS of 39.4 cents, up 6% on FY2015.

## Expansion

Goodman has expanded and strengthened its business across all markets and continued to grow its development work book. To improve the quality of its portfolio, the Group is reinvesting in its development pipeline. Taking advantage of the favourable market conditions and selling existing assets to fund development of higher grade assets, has enabled customers to be relocated to higher quality, more strategically located, modern industrial properties.

Recent expansion into the Americas has focused on the establishment of key capabilities to support Goodman's core own+develop+manage business model. Investment to fund the future growth of these businesses has been made across many areas including people, land banks, business processes and management oversight. This investment is structured to ensure that a consistent and differentiating quality of product and service is delivered for our customers and capital partners in these markets.

In the United States, we now have a team of over 30 people and a development pipeline of A$2 billion across 12 sites. During the year, Canada Pension Plan Investment Board (CPPIB)increased their equity commitment to the Goodman North America Partnership (GNAP) by US$500 million. In Brazil, the joint venture, WTGoodman comprises a team of 25 people with a development pipeline of US$1.3 billion across four sites.

Urban renewal realisations are beginning to emerge with sites to the value of $1.1 billion conditionally contracted as at 30 June 2015. This programme will be the most significant source of capital to fund future expansion and growth of the Group over the longer term.

## A sustainable and prudent business

Despite the Group's growth and expansion, Goodman remains a prudently managed business, seeking to provide competitive and sustainable returns for all stakeholders. This is achieved through the efficient allocation of both human and capital resources to deliver a quality product and service for the long term.

One of our major global investors wrote to us and a number of other significant companies during the year highlighting the risks of "a short-termist phenomenon" that sees companies "underinvesting in innovation, skilled workforces or essential capital expenditures necessary to sustain long term growth". They urged us to join them to "invest in the future to lay the foundation for stronger, more sustainable and more stable economic growth".

These themes resonated very strongly with Goodman's Board, management and capital partners. One of the Group's key themes over the past several years has been sustainability, starting by setting competitive but realistic and sustainable long term return aspirations when communicating to investors and staff. This then enables Goodman to focus on developing the highest quality assets and partnering with the right capital to service customers globally. The Group seeks to deliver core real estate returns in partnerships designed to provide low volatility and stable income for the long term within an environment of high levels of governance.

For FY2015, the Group made a cash distribution of 22.2 cents per security, which totalled $388.3 million, in the form of a trust distribution. A trust is not subject to tax in Australia as long as it distributes all of its taxable income to its investors. That income is then taxable in investors' hands. The components of the Trust's distribution reflect the sources of the Group's operating earnings being primarily, Australian income with other components reflecting the offshore activities of the Group. Australian resident Securityholders include 98% of the distribution in their taxable income.

Goodman has various strategies it uses to ensure sound and prudent financial governance. We continue to maintain a low risk approach to development by effectively deploying various strategies and policies to help manage these processes and the execution is made possible by the close relationships that the Group has built with both customers and capital partners. With $2.5 billion of developments completed this year, very little is undertaken speculatively, 91% of all developments were pre-commited prior to completion and 85% of all completions were for Goodman's partnerships or third parties. Notwithstanding this, we acknowledge that there is risk in development and our capital management strategy is to lower our financial leverage to help further offset this risk.

The Group's hedging and insurance policies are also examples of strong governance and risk mitigation. Goodman is an Australian group reporting and quoted on the Australian Securities Exchange (ASX) in Australian dollars. As a result, the Group seeks to undertake a conservative hedging policy to foreign currency risk management. Goodman's policy is to hedge between 70% and 95% of foreign currency denominated assets and as at 30 June 2015, was in the middle of this band at 82%. As a property company, the Group also seeks to minimise any volatility that arises as a result of interest rate movements. Goodman's policy is to ensure between 60% and 100% of current year interest rates are fixed and the Group currently has 94% hedged over the next 12 months.

A further example of prudent governance is the robust insurance programme that Goodman has in place around the world that protects the Group financially against unforeseen events, such as the hail storms that created significant damage to properties in western Sydney in April this year. These processes and policies, and the relationships we have built through all stakeholders, not only protect the Group financially but also provide us with the ability to quickly respond to our customers' needs, mitigating further loss and damage.

The Group's remuneration policy is focused on ensuring that it attracts, motivates and retains the best quality staff necessary to operate a global business of Goodman's size and scale. With an approximate voluntary turnover of 4% per annum, Goodman is very proud of the high levels of staff retention achieved and recognises that the design of a competitive remuneration policy is vital in delivering the Group's long-term goals. The remuneration policies have been designed to encourage and reward superior performance that is aligned with the business strategy and to provide compelling incentives for high performing executives to remain employed with Goodman.

Goodman is a global business operating in 16 countries, with offshore earnings contributing 55% of operating EBIT. The Board believes that given the Group's global presence, scale and integrated business model, the remuneration levels for select senior executive roles should be referenced alongside international competitors, rather than more locally focused businesses. In the opinion of the Board, this is absolutely necessary to ensure the Group retains the skilled and experienced employees required to perform and deliver in Goodman's global operation.

The Board also considers that in relation to incentive compensation, a significant component of total remuneration should be delivered through equity plans. This approach encourages long-term decision making and promotes strong alignment between the interests of Securityholders and employees. It is an appropriate model of incentivising and rewarding the Group Chief Executive Officer and other senior executives.

In addition to this, every Goodman staff member has some form of ownership in the business through participation in the Group's Long Term Incentive Plan. The Board believes that this is an important aspect of working at Goodman and is a unique offering to employees. The outcome of this is the significant results that the Group has continued to deliver, along with enabling the investment made in developing quality staff to be truly realised.

It is Goodman's absolute focus to add value in everything it does. It is the quality of its people and properties and its prudent financial management and the high level of service it strives to provide its customers and investors that defines the Group's competitive advantage. I am proud of the outstanding result that has been delivered this year and would like to thank staff for their hard work and dedication and our Securityholders, customers and capital partners for your ongoing support.

**Mr. Ian Ferrier, AM**
Independent Chairman

## Delivering value

I am pleased to report on the Group's activities and achievements for the 2015 financial year. Goodman has performed strongly, delivering one of our best ever financial results. This reflects the focus the team has had on delivering to our business strategy, including the value we strive to add for all of our stakeholders and the sustainable long-term business we are building. Goodman is all about delivering value. This is highlighted by the quality of our product and service offering, the high standards of service we aspire to and the skill and dedication of our people. It is also evident in our enduring customer relationships around the world and our significant capital partnerships with global investor groups.

Goodman delivered operating EPS growth of 7.1% for the year, reflecting the strong underlying operating performance across our business and the customer demand for modern, well-located logistics and business space. Our demonstrated ability to provide flexible and diverse property solutions ensured we were well positioned to take advantage of the best opportunities in proven logistics locations globally and capitalise on the continued momentum in all of our operating regions. The Group was able to grow its operating earnings while at the same time lowering financial leverage, reducing gearing to further strengthen its balance sheet. This is a key point of difference and provides Goodman with significant financial and operational flexibility for future years.

Our strategic focus continues to be on improving the quality of our properties and the income we derive from them. Having one of the most geographically diversified operating platforms globally and a specialist industrial focus, has enabled Goodman to take advantage of the strong pricing for high yielding industrial assets and the significant available liquidity in the current low growth environment. In turn, we have selectively sold properties across the Group and our managed partnerships, disposing of $1.9 billion of investment properties (excluding urban renewal sites), mainly in Australia, Continental Europe and the United Kingdom. The capital realised from asset sales is being reinvested into our development business to finance new projects across Goodman's global development work book. This approach is adding considerable value, with development providing the best risk adjusted returns at this point in the property cycle. Our development expertise means we can deliver new logistics space at a forecast yield on cost of 8.8% and replace existing assets with Goodman's own high quality development product. This allows us to enhance overall portfolio and income quality and drive higher investment returns.

The merit of our strategic approach was demonstrated by the strong performance of Goodman's development activities during the year, which saw our development work book grow to $3.1 billion and ensured we continued to be one of the largest developers of industrial property globally. This was driven by higher development volumes and customer demand for well-located and designed logistics space to help achieve greater operating efficiencies, particularly across the logistics sector, with factors such as supply chain consolidation and building obsolescence providing ongoing opportunities to add value. Importantly, we have maintained a low risk approach to our development activities, undertaking projects without pre-commitments only in selected markets and proven, quality logistics locations, with low vacancy rates and where demand for assets is high. On this basis, Goodman achieved a 91% pre-commitment for development completions in the 2015 financial year.

Highlighting the growth in our development activities during the year, in Australia we worked closely with customers to provide relocation solutions in proven logistics locations as a result of the change in use of traditional industrial sites, securing new projects on behalf of customers in South and Western Sydney. This reflects the Group's dominant market position, with an Australian portfolio of over 200 properties and access to a sizeable land bank, we can provide our customers with a range of flexible solutions to cater for their changing business requirements.

Our New Zealand business experienced higher development volumes as a result of the sustained economic growth, with a number of development projects announced, including at Auckland's Viaduct Quarter and Highbrook Business Park.

Goodman continued the measured roll-out of its development-led approach in markets such as China, where we maintained development volumes at around 650,000 sqm, taking advantage of the limited supply of logistics space in strategic locations around the major markets of Shanghai and Beijing. The growth in the level of recurring business with customers, particularly in the e-commerce and logistics sectors, has been a positive trend. This includes expanded relationships with French sport apparel and equipment retailer, Decathlon and logistics services provider, Best Logistics.

Japan continues to experience an undersupply of prime logistics space and our targeted development-led approach, which focuses on the most strategic locations, ensured we achieved strong leasing success during the year. Our developments at Goodman Mizue and Goodman Ichikawa at Tokyo Bay were both 100% pre-leased prior to completion. The buoyant customer demand also saw our Japan team commence the 116,527 sqm first phase of development for Goodman Business Park Chiba, a new large-scale, masterplanned, multi-use logistics and business park. On completion, the overall project will have an expected value in excess of US$1 billion.

In the United Kingdom, Goodman is benefiting from higher development volumes, driven by improving economic conditions. Increased customer confidence and growing business activity levels are being reflected in the new developments being undertaken in proven, core markets and our logistics and business park teams securing new pre-committed opportunities during the year. The Group's business in Europe completed another solid year and was named "Number One Developer in Europe" by PropertyEU magazine for the fourth consecutive year, having completed nearly two million sqm of development in the period from 2012 to 2014. This result was mainly driven by Goodman's leading position as the top developer for e-commerce logistics, and from the growth in the automotive, retail and third party logistics sectors. The large majority of development projects were pre-leased before the start of construction.

In the US, good progress was made on the roll-out of Goodman's $2 billion development pipeline, taking advantage of the lack of quality space available in proven logistics locations in the Southern California, New Jersey and Pennsylvania markets. The team completed and signed a long-term lease for the 1.6 million sq ft (approximately 150,000 sqm) Goodman Logistics Center Rancho Cucamonga, in the Inland Empire market of Southern California, securing the customer, Georgia-Pacific, in one of the largest logistics leasing deals completed in Southern California in the past 10 years. Post 30 June 2015, we commenced the development of our 73 hectare site at Eastvale in the Inland Empire market, while we also continue to work through planning on prime land sites in New Jersey and Pennsylvania.

In Brazil, our focus remains on selective pre-committed opportunities. Through our WTGoodman joint venture, we secured two prime built-to-suit development opportunities, totalling 219,000 sqm, including a 74,000 sqm facility at International Business Park in Rio de Janeiro for the International Olympic Committee.

Our increased development activities and higher asset pricing strongly influenced the growth in the Group's total assets under management, which increased by 13% during the year to $30.3 billion. This was predominantly the result of $2.5 billion of development completions and $1.5 billion of asset revaluations across Goodman's portfolio, with significant valuation increases contributed by Goodman urban renewal sites in Australia.

We accelerated the pace in the roll-out of the Group's urban renewal strategy over the last 12 months, taking advantage of this significant long-term opportunity for our business. We continued to work through our current urban renewal pipeline in Sydney and Melbourne, achieving positive planning outcomes on a number of sites. As a result, $1.1 billion of sites have been conditionally contracted for sale. While the Group has maintained its current urban renewal pipeline at more than 35,000 apartments, we see further opportunities to increase this meaningfully over time through the ongoing evolution of urban renewal precincts and as new sites are identified across our portfolio.

Goodman experienced robust operating activity across its stabilised property portfolio during the year. Our customer focused approach and commitment to managing and maintaining our properties to a high standard, were reflected in the strong leasing results achieved, and the high occupancy and customer retention levels maintained.

Goodman's contemporary approach to its managed partnerships, investment offering and leading development capability are attractive to global investor groups and provide Goodman with a key competitive advantage. This ensured we retained the strong ongoing support of investment partners during the year, with Goodman raising $1.8 billion of new third party equity, primarily for our platforms in North America, China and Japan. Our managed partnerships are benefiting from the investor demand for high yielding industrial assets, with selective asset rotation and the prudent management of capital on behalf of investment partners providing access to quality opportunities not typically available on the market. In turn, our managed partnerships are well positioned to maximise investment returns and create long-term value for capital partners.

The scope of the operating activities and strategic initiatives undertaken by Goodman in the 2015 financial year has delivered a strong performance across its business globally. This has resulted in full year operating EPS of 37.2 cents, up 7.1% on FY2014 and operating profit of $653 million, representing an increase of 9% compared with the same period last year and consistent with the upgraded earnings guidance announced in February.

The total distribution paid for the full year was 22.2 cents per security, consisting of an 11.1 cent distribution in each half year period.

## Group operations

Goodman's operations achieved an operating EBIT of $717 million, or an 8% increase compared with the same period last year, as a result of the organic growth and increased scale from Goodman's existing markets. The Group's active development and management businesses contributed 33% and 16% of operating EBIT respectively, which was driven by strong activity stemming from the limited supply of quality space and investor demand for high performing industrial assets. The growing contribution from development was a key factor in the Group's earnings outperformance for the year. Goodman's property investment activities contributed 51% to operating EBIT, with the earnings composition in line with expectations.

The contribution to earnings by Goodman's international operations was 55%, reflecting the significant growth experienced in these markets and highlighting the value of the Group's geographically diversified operating platform.

Further information on the Group's operations for the 2015 financial year is available on pages 8 and 9 of this Annual Report.

## Capital management

Goodman is committed to maintaining its sound financial position as a platform for delivering sustainable growth and competitive returns on a "through the cycle" basis. We are well positioned in the current operating environment to capitalise on the favourable market conditions by continuing to sell assets and focus on our development activities to deliver growth in investment returns. By reinvesting capital from asset sales to fund our development activities across the Group and managed partnerships at this point in the property cycle, we are able to minimise the amount of new capital required and reduce Goodman's financial leverage.

Our growing development work book means that the Group will retain its focus on reducing financial leverage and maximising available capital to reflect the increased earnings contribution from development. This ensures we are appropriately positioned to fund these activities, absorb any changes in market volatility and take advantage of growth opportunities over the longer term.

As a result, our gearing was 17.3% at year end, compared with 19.5% as at 30 June 2014 and is expected to reduce further. Coupled with available liquidity of $1.8 billion, this is providing Goodman with considerable financial flexibility for future periods.

During the year, we also continued to focus on diversifying our debt funding sources and demonstrated our ongoing access to global debt capital markets. Across the Group and managed partnerships, we procured $5.7 billion of debt facilities, predominantly to refinance existing facilities, achieving an average term of 4.5 years at current market rates. Furthermore, the Group has focused on maintaining its stable and sustainable long-term corporate credit rating with debt rating agencies, Standard & Poor's and Moody's Investor Services (Moody's) at 'BBB stable' and 'Baa2 stable' respectively. Separately during the year, Goodman European Logistics Fund (GELF) had its credit rating upgraded to 'Baa2' by Moody's.

## Outlook

Goodman has completed a very successful year, reflecting the quality business we are building for the long term. We are well placed to capitalise on our position as a leading industrial property group, with a strong platform in place for FY2016 and future periods, to deliver sustainable earnings growth and create long-term value for all of our stakeholders.

The Group is taking advantage of the demand for prime industrial property and selectively undertaking high quality growth opportunities in key logistics markets globally. The prevailing market conditions continue to provide Goodman with attractive opportunities to improve asset and income quality across its portfolio, which is core to our business strategy. This is being facilitated by our geographically diversified operating platform and skilled team of people, enabling Goodman to realise targeted opportunities to rotate assets, including from our urban renewal initiatives, and reinvest significant capital into the development activities of the Group and our managed partnerships. This will provide our business with considerable future financial flexibility, while maintaining a strong balance sheet.

For FY2016, Goodman expects the strength of its development activities and access to a significant pipeline of opportunities, demand from investment partners and the ability to deliver modern and efficient property solutions for its global customer base to be key drivers of earnings. The Group is forecasting full year operating earnings per security of 39.4 cents, up 6% on FY2015 and a distribution of 23.8 cents per security.

On behalf of the Board and executive management team, I would like to thank all of our customers, capital partners and Securityholders for their ongoing support. In particular, I would like to thank our team of people around the world for their outstanding contribution to Goodman's strong performance over the last year. It is their ongoing dedication and commitment to delivering quality and creating value for all of our stakeholders, which is fundamental to driving the sustainable long-term growth and success of our business.

**Gregory Goodman**
Group Chief Executive Officer

## Property investment

The value of Goodman's investment portfolio was $6.7 billion at 30 June 2015, which compares with $5.6 billion for the same period last year and consists of the Group's ownership interest in 411 prime industrial and business space properties across 16 countries. The composition of the portfolio reflects the Group's direct property investments valued at $2.7 billion and is represented by 31 properties located in key markets across Australia, the United Kingdom (UK) and Europe. Furthermore, the investment portfolio includes $4.0 billion of the Group's cornerstone investments in its managed partnerships and other financial investments.

Growth in our total assets under management was the key driver in the higher value of the overall investment portfolio. This was mainly as a result of development completions and positive revaluations, across both our direct property investments and the Group's proportionate share of its cornerstone investments in its managed partnerships. A significant feature of our direct property investments is the number of sites that have been included as part of the Group's urban renewal strategy, which provides a substantial opportunity to return capital to the Group over the long term. The growth of the investment portfolio was offset by a number of asset rotation initiatives undertaken during the year, which included the disposal of the majority of the Group's UK property assets and selective asset sales across our managed partnerships, predominantly in Australia and New Zealand, in addition to the UK.

### A customer focused approach

The performance of the Group's overall investment portfolio over the 12 month period reflected the robust property fundamentals and solid operating activity experienced during the year. Our customer focused offering, size and scale of our quality portfolio, active asset management and diverse global operating platform are key components of Goodman's business. They provide Goodman with the capability to meet the unique needs of our customers, while benefiting from the ongoing global demand for quality industrial property and business space. This saw Goodman lease 3.4 million sqm of space, equating to $386 million of net property income, with occupancy maintained at a high 96% and like-for-like rental growth of 2.5%.

As an active asset manager, Goodman continually assesses opportunities to add value across its portfolio. This includes seeking opportunities to reposition assets to enhance performance, such as through higher and better use outcomes or rotating assets where, for example, value has been maximised. During the year, Goodman focused on improving the quality of its properties and income, taking advantage of higher asset pricing to selectively sell assets across the Group and its managed partnerships. This achieved $1.9 billion in sale proceeds, with the capital being reinvested to provide funding for Goodman's high quality development work book.

## Property development

Goodman's development business performed strongly in FY2015. This reflected growing volumes in line with the prudent development-led approach we are implementing at this point in the property cycle. We are benefitting from the ongoing structural changes taking place across our sector globally, including the high demand for e-commerce and logistics space, which is driving customer demand for greater efficiencies and returns from their property solutions. This continued to be a key driver of the significant development activity we experienced during the year, with our focus on targeting the best quality projects in proven locations in our operating regions around the world. As a result, we commenced $2.7 billion of new developments across 71 projects in 11 countries. Our expertise and development capability enable us to deliver new development product at a forecast yield on cost of 8.8%, which is below current replacement cost and provides Goodman with a strong competitive advantage. We achieved an average lease term of 10.5 years on these new developments with 73% pre-committed, demonstrating our commitment to a low risk development approach.

### Commenced developments include:

+ in Sydney, two facilities for a combined 58,000 sqm on behalf of global logistics services provider, DHL Supply Chain;
+ a 27,781 sqm warehouse in Brisbane for leading express delivery company, TNT;
+ in Auckland, New Zealand, a 16,735 sqm head office for IT systems and process provider, Datacom;
+ a 76,294 sqm built-to-suit facility, comprising two warehouses, in Nanjing, China for logistics services provider, Best Logistics;
+ in Tokyo, Japan, phase 1 of Goodman Business Park Chiba, comprising a 116,527 sqm ramp-up logistics facility, which is 25% pre-committed to third party logistics provider, SBS Logicom;
+ a 61,323 sqm warehouse in Walsrode, Germany for online furniture retailer, Home24;
+ a 55,236 sqm warehouse for multinational retailer, Carrefour, near Lille, France;
+ at Fontana in Southern California, United States, a 59,217 sqm logistics centre; and
+ a 145,392 sqm built-to-suit facility for Brazilian retail group, Via Varejo, in Rio de Janeiro, Brazil.

### Reinvesting sale proceeds to fund development activities

With one of the largest and most diversified industrial development work books globally, Goodman remains in a strong position to capitalise on the customer demand for high quality and well-located logistics space. This is evident in the growth in our development work in progress to $3.1 billion at 30 June 2015 from $2.6 billion last year, with active projects underway in all of Goodman's operating regions. We are currently undertaking 76 projects in 11 countries, equating to 2.2 million sqm of new logistics space. The ability to reinvest proceeds from the sale of assets to fund Goodman's development activities is a point of differentiation, which uniquely positions the Group to increasingly self-finance its development business. This is consistent with our prudent approach to development and focus on maintaining a strong balance sheet position. In proven undersupplied markets where we are rolling out our selective development-led strategy, such as in the United States, Brazil, Japan and China, our capital partnering approach further highlights our commitment to mitigating risk.

For the year, Goodman delivered 2.1 million sqm of new space across 71 projects globally, with a combined value of $2.5 billion. Developments completed during the year include:

+ a 46,366 sqm distribution centre in Brisbane for international logistics provider, DB Schenker;
+ in Melbourne, a 24,059 sqm warehouse for paper and packaging supplier, BJ Ball;
+ in Auckland, New Zealand, a 10,150 sqm warehouse for automotive group, Ford;
+ a 37,767 sqm built-to-suit facility in Yanjiao, China for global sport apparel and equipment retailer, Decathlon;
+ in Tokyo, Japan, two multi-customer ramp-up logistics and distribution facilities for a combined 123,000 sqm;
+ a 27,616 sqm fulfilment centre in Halle, Germany for leading integrated e-commerce solutions provider, eBay Enterprise;
+ in Konin, Poland, a 38,950 sqm logistics centre for Polish grocery retail brand, market-Detal;
+ a 30,000 sqm logistics facility for French express parcel business, GeoPost in Hinckley, United Kingdom; and
+ at Rancho Cucamonga in Southern California, United States, a 148,699 sqm logistics centre.

During the year, Goodman replenished its controlled land inventory, predominantly in the United States and China. As a result, our development pipeline was maintained at over $10 billion and is capable of delivering a forecast gross lettable area of more than 7 million sqm. This ensures Goodman remains well positioned to roll-out its growing development business and capitalise on the strong investor demand for prime logistics and business space, while effectively servicing the diverse property needs of our customers globally.

## Property services

The dedication and commitment of Goodman's property services teams around the world are key to delivering the highest standards of service and ensuring that the needs of our more than 1,850 customers were catered for throughout the year. With responsibility for managing 17.6 million sqm of space, equivalent to $30.3 billion of total assets under management, our teams are focused on the presentation of our quality portfolio of 411 industrial and business space properties, ensuring they are well maintained and operating efficiently.

The success of Goodman's service offering is built on the effective day-to-day management of our global customer relationships. The proactive approach of our teams ensures that we are responsive to the diverse property needs of our customers and able to identify opportunities that meet their changing business requirements. Over the last 12 months, we were able to add value for our customers, through the size and scale of our portfolio and our active asset management approach to deliver a range of property solutions. Across our operating regions, this included consolidating space to achieve operating efficiencies, upgrading and expanding existing properties and relocating customers within our portfolio. The hard work of our teams is reflected in the substantial leasing activity over the full year period, with more than 3.4 million sqm of space leased.

### Building existing and developing new customer relationships

A total of 354 new leases were completed for existing and new customers in our property portfolio globally, with a total of 393 leases renewed on behalf of existing customers. This activity resulted in overall occupancy being maintained at a high 96% and a customer retention rate of 74%.

Significantly, we welcomed a number of new customers during the year, while building on our existing customer relationships, including Kuehne + Nagel, Deutsche Post (DHL), Sinotrans, Japan Post (Toll Group), UPS, IKEA, Coca-Cola Amatil, Vipshop, Woolworths and BMW.

## Managed partnerships

Goodman retained the strong support of its capital partner relationships over the last 12 months, reflecting the demand for prime industrial assets and the attractiveness of the Group's specialist industrial product offering and development capability. We successfully raised $1.8 billion of new third party equity during the year, predominantly for North America, China and Japan, where we are executing a prudent development-led strategy with known customer demand. Our managed partnerships performed strongly over the year, providing our global investment partners with access to high quality growth opportunities not typically available on the market, coupled with targeted asset selection and rotation to drive investment returns and long-term value creation. Through the focused delivery of their investment strategies, our managed partnerships achieved on average a total return in excess of 16% over the last 12 months.

Third party assets under management increased to $25.2 billion at 30 June 2015 compared with $22.4 billion last year. This was primarily the result of positive asset revaluations, driven by strengthening industrial asset pricing globally, together with a number of developments completed by Goodman during the year. Our managed partnerships also completed a number of initiatives to diversify debt funding sources and lengthen debt maturity profiles, providing available investment capacity of $7.6 billion in undrawn equity, debt and cash. Combined with sale proceeds from ongoing asset rotation initiatives, Goodman's managed partnerships are well positioned to participate in a broad range of growth opportunities in future years.

### New strategic partnership created

In New Zealand, a new strategic partnership was established between Goodman Property Trust (GMT) and Singapore's sovereign wealth fund, GIC, to co-invest in Auckland's Viaduct Quarter. The partnership will initially own a portfolio of assets comprised of GMT's existing assets and valued at NZ$313 million, with a mandate to grow the partnership to NZ$500 million over time. GIC will acquire a 49% interest in the initial portfolio, with GMT retaining a 51% share and all future investments will be made on the same basis.

### New capital raised

In Japan, ¥23 billion of new equity was raised by Goodman Japan Core Fund, enabling it to fund the acquisition of current and future development completions from Goodman Japan Development Partnership.

In China, Goodman and CPPIB increased the equity commitment to their Goodman China Logistics Holding joint venture by US$500 million, taking the total equity for the partnership to US$2 billion. Similarly in the US, CPPIB increased its equity commitment to Goodman North America Partnership (GNAP) by an additional US$500 million.

In Europe, Goodman European Logistics Fund (GELF) successfully priced an inaugural €500 million Eurobond issue on a five year term, with proceeds used to repay existing debt facilities. Separately, in New Zealand, GMT successfully completed a US Private Placement debt issue, securing US$120 million of long-term funding with a weighted average term of 12.3 years, to increase the diversity and tenor of its debt facilities. GMT also extended its retail bond programme, issuing a new NZ$100 million senior, secured seven year bond.

# CORPORATE RESPONSIBILITY AND SUSTAINABILITY

## SUSTAINABILITY

Goodman's vision to become a global leader in logistics real estate is underpinned by a focused strategy delivering consistent and sustainable growth, and ensuring quality is at the forefront of all investment decisions. Our commitment to sustainability encompasses all areas of Goodman's business, including how we develop and manage our assets, engage with our stakeholders, and create an employee culture committed to Goodman's business model.

Goodman's Corporate Responsibility and Sustainability (CR&S) strategy remains closely aligned with its primary operating activities globally across our property investment, development, management and managed partnership activities. Quality and consistency were key themes for Goodman's CR&S programme over the past year, with particular focus on our development activities across each region. Sustainability highlights for FY2015 include:

+ all of Goodman's 71 completed developments included a range of sustainable design initiatives;
+ certified green developments completed in Japan, Continental Europe, the United States (US) and the United Kingdom (UK);
+ five of six responding Goodman entities achieved GreenStar status in the 2015 Global Real Estate Sustainability Benchmark (GRESB) survey;
+ Goodman Japan Core Fund was awarded Regional Sector Leader for private industrial funds in Asia in the 2015 GRESB survey;
+ roll-out of the Buildings Alive energy monitoring system across the Australian office portfolio, contributing over $800,000 in energy savings;
+ 5.5 Star NABERS Energy rating for Goodman's Sydney head office;
+ LEED certification for Goodman's refurbished Beijing and Chengdu corporate offices; and
+ Planet Mark certification for Goodman's UK Logistics corporate office.

### Our CR&S programme

The Group's current CR&S programme is structured to improve the way Goodman conducts its business and is closely aligned with its primary operating activities. Our CR&S strategy currently comprises six programme areas which we believe encompass our material sustainability priorities:

1. Sustainable development – striving to improve the sustainability of our developments, through innovation and working with customers to incorporate design initiatives;
2. Asset management – managing and investing in our assets to improve efficiency, long-term competitiveness and resilience;
3. Corporate performance – measuring our impact and aiming to improve our overall performance;
4. Regulatory compliance – managing our regulatory obligations;
5. Engagement and reporting – communicating and engaging with our stakeholders regularly; and
6. People and community – inspiring and challenging our people, and supporting various community-based groups through the Goodman Foundation.

### A focus on sustainable development

Demonstrating our commitment to quality, during the year we focused on delivering new logistics assets to a consistent standard across our regions. To oversee this, a Group Technical Director has been appointed with responsibility for ensuring consistency across regional development specifications and the overall quality of Goodman's completed properties.

In Australia, 16 developments were completed during the year, adding a further 320,000 sqm to the Australian portfolio, with a further 17 projects underway at year end. Energy efficiency remains a priority, demonstrated by the installation of high bay lighting systems and through maximising natural lighting into our warehouses.

In Melbourne, the development completed for Röhlig Logistics at West Industry Park included a number of sustainable design features, with approximately 10% of the roof consisting of translucent roof sheeting to increase natural lighting and the installation of motion controlled sensors to enhance the efficient lighting system. At Ferntree Business Park, the two office developments occupied by Olympus and Schneider, received their 5 Star Green Star Office (v3) as Built certified ratings, representing 'Australian Excellence' in environmentally sustainable construction.

In New Zealand, 14 projects were completed with a further nine in progress at the end of the reporting year. Completed developments included Metro Performance Glass at Highbrook Business Park in Auckland, consisting of modern warehouse space, an office and a showroom. The new facility incorporates extensive water recycling, natural lighting in the office areas and sensor controlled lighting throughout the property.

In Japan, developments completed during the year included the 59,000 sqm Goodman Mizue and 64,000 sqm Goodman Ichikawa facilities, both located in the Greater Tokyo region. The developments were completed to a similar level of quality and specification to the LEED Gold certified Goodman Sakai development completed last year. With a focus on internal quality, customer comfort and an employee friendly workspace, both properties have been assessed as an A rating under the Japanese CASBEE system, a rating system used to benchmark the environmental performance of buildings in Japan.

Eight developments were completed in the UK across the Logistics and Business Park businesses during the year, with a further 11 in progress. Completed projects included Hinckley 165 at Hinckley Commercial Park in the East Midlands, which achieved a BREEAM Very Good rating. The UK Logistics business has committed to developing its assets to a minimum BREEAM Very Good rating, ensuring they include a range of sustainable design features. These include translucent roof sheeting to contribute to natural lighting, efficient heating and cooling systems, and water efficient fixtures. As part of an ongoing initiative to reduce $CO_2$, our development team has been evaluating a carbon neutral external wall and cladding system, which has had its unavoidable $CO_2$ emissions offset by the manufacturer.

Our European team continues to strive for innovation, and certification remains a high priority. Our initiative to obtain certification for Goodman's standard base specification under the DGNB rating system has expedited the certification process for individual projects.

LED lighting is becoming more common in our developments in Europe and an attractive option for many of our customers. The 103,000 sqm development for Hammer Group at Bedburg Logistics Centre, Germany includes LED lighting throughout the warehouse and achieved a DGNB Silver rating, while the 123,000 sqm fulfilment centre developed for Amazon in Wroclaw, Poland, included LED lighting and is targeting a BREEAM certification.

In the US, our development team has completed the 148,699 sqm Goodman Logistics Center Rancho Cucamonga, located in the Inland Empire market of Southern California. The LEED Silver certified facility comprises two warehouses which incorporate significant natural lighting.

China continues to be one of Goodman's most active regions with 12 projects completed during the year, adding 562,000 sqm to the portfolio, and an additional 15 projects now in progress, representing a further 643,000 sqm. The ongoing implementation of Goodman's quality standards and new sustainability design initiatives into our developments has been a focus for the development team in China.

## Case studies

### Lytton Motorway Estate, Brisbane, Australia

The Estate comprises 38,664 sqm of warehouse and 1,332 sqm of associated office space. It is well located near the Port of Brisbane, while providing easy access to the Gateway Motorway servicing the greater Brisbane region. The development was completed in May 2015 and includes a range of sustainability features:

+ efficient T5 high bay lighting with daylight and motion sensors;
+ translucent roof sheeting to maximise natural lighting;
+ solar hot water;
+ 62,000 litre rainwater harvesting tank for use in the amenities and irrigation; and
+ a selection of native plants in the landscaping with low irrigation requirements.

### Goodman Landport Logistics Estate (Phase 2), Tianjin, China

The 46,000 sqm Goodman Landport Logistics Estate is a multi-customer estate located in the north east of Beichen District, mid-way between Beijing and Tianjin, providing efficient access to and from Tianjin city, as well as the northern and southern parts of China.

Goodman worked closely with its customer, Best Logistics, to include a range of sustainability requirements, within a facility which will serve as their regional packaging and logistics centre. The sustainable features included:

+ T5 energy efficient lighting;
+ office wall insulation to reduce heating and cooling costs;
+ translucent roof sheets to increase natural light into the warehouse; and
+ external LED lighting.

## Managing the performance of our assets

During the year, Goodman's property services teams completed a range of projects aimed at improving the performance of our assets globally. The upgrade of lighting systems remains one of the most effective ways to reduce energy consumption and our customers' costs, particularly as LED technology costs are becoming comparable with other technologies when evaluated over the longer term.

At Centenary Distribution Centre in Moorebank, Sydney, our property services team completed a major lighting upgrade throughout the warehouse, replacing the existing light fittings with a new LED high bay lighting solution. This is estimated to reduce energy consumption by up to 335,800 kWh annually, and improve the lighting performance across the floor space.

At City West Office Park in Pyrmont, Sydney, our engineering team completed an overhaul of the mechanical air conditioning system, installing new efficient chillers and variable speed drives on system pumps and fans. The completed works are expected to reduce energy consumption by approximately 10%.

One of the most effective initiatives implemented was the roll-out of the Buildings Alive energy monitoring system across many of the Australian based office assets after an extensive trial. The system provides our building managers with a powerful performance report, allowing them to make timely operating changes to improve performance. The project has resulted in approximately $800,000 in energy savings across the office portfolio.

Across the New Zealand portfolio, several energy projects were completed during the year, including the implementation of an energy metering system at three properties, HVAC upgrades and lighting refurbishments. At the IAG Building at Show Place in Christchurch, Goodman completed an overhaul of the building's HVAC system, installation of LED lighting, energy metering and a new building management system. Energy savings resulting from the upgrade will be tracked during the coming year.

In Hong Kong, our property services team completed several improvement projects across the portfolio with a focus on energy consumption. Projects included a major lighting upgrade at Yuen Long Logistics Centre where the existing lights were replaced with LED fixtures, estimated to reduce energy consumption by approximately 30%. At ATL Logistics Centre, ongoing upgrade works included an overhaul of the air conditioning system in the common areas of the building, as well as an upgrade to efficient T5 fluorescent lighting in the ramp driveways.

In Continental Europe, Goodman launched a major LED lighting initiative which our development teams are integrating into many pre-lease agreements for new development projects. For our stabilised portfolio, our property services team is successfully negotiating LED lighting as an incentive for lease extensions, most recently in France and Belgium. These initiatives will provide significant cost savings to our customers and will increase the value of our properties. When all the installation projects are completed, Goodman will manage more than 700,000 sqm of logistics space equipped with LED lighting.

### Renewable energy in Japan

As reported in last year's annual report, our team in Japan has installed approximately 10 MW of solar photovoltaic (PV) capacity in our Japanese portfolio, across both new developments and stabilised properties. During the past year, a further 3.6 MW of solar PV capacity was installed at three projects, including 1.3 MW at Goodman Ichikawa and 1.2 MW at Goodman Mizue located in Greater Tokyo, and 1.1 MW at Goodman Obu in Nagoya.

### Australian greenhouse gas emissions

Greenhouse gas emissions (GHG) in Goodman's Australian operations for the 2015 financial year have been estimated at 41,630.73 $tC0_2$-e. The decrease in our emissions this year is primarily due to the sale of several older assets in Australia, the sub-metering of customer power consumption, most notably at Sydney Corporate Park in Sydney, and efficiencies across the portfolio.

Our GHG calculation includes scope 1 and 2 emissions generated from Goodman's Australian property and building management services within the operational control of Goodman, including assets owned directly by Goodman and those within our Australian managed partnerships. Our data does not include the carbon emissions of our customers.

## THE GOODMAN FOUNDATION

The Goodman Foundation has a comprehensive strategy focused on providing support and contributing to the community. This is delivered through the distribution of cash, volunteering, workplace giving and in-kind programmes with long-term (3+ years) partnerships developed and being implemented with charitable organisations in all Goodman locations. Through our strategic partnerships with more than 56 charities in 2015, the Goodman Foundation is building communities and making a meaningful difference to the lives of disadvantaged people and vulnerable communities around the world.

The Goodman Foundation is represented across Australia, New Zealand, Greater China, the UK, France, Belgium, Germany and Poland. Expansion of the Foundation's activities is continuing across Europe, Japan and the US.

Many of our community partners not only benefit from receiving Foundation grants, but also through fundraising and volunteer support from Goodman staff in our good+heart programme, together with regular payroll donations through the Goodman good+deeds workplace giving programme.

The charter of the Goodman Foundation is focused on improving the quality of life and standard of living of people in the communities where Goodman operates through the support of a range of community programmes. In 2015, we helped to establish many new initiatives with our current partners and also supported the following new organisations – Cerebral Palsy Alliance, The Shepherd Centre, The Fred Hollows Foundation, Feeding Hong Kong and the Black Dog Institute.

### Case Study – Good360 Australia

Good360 Australia (Good360) provides charities of all sizes with access to vital corporate product donations enabling them to save money, expand programmes and strengthen their social and community impact.

Since inception in early 2014, Good360 has established their technology platform, which connected their first 250 charities with over $3 million of donated product.

The space provided by Goodman in Alexandria, Sydney has helped Good360 grow from a volunteer-based organisation with two staff, to now employing 10 people and an additional 10 skilled volunteers. The warehouse/storage space has enabled Good360 to reconfigure a range of goods to help Australians in need.

Goodman also participated in their Sponsor a Charity campaign, by sponsoring 10 charities. These charities are now registered with Good360 and are eligible to receive donated product relevant to their programme services, enabling them to save money, expand programmes and help communities.

### Staff engagement programmes

The Goodman Foundation conducts two employee focused programmes called good+deeds and good+heart. These two programmes allow Goodman employees to contribute in various ways to several organisations which are making a real difference to people's quality of life.

The good+deeds programme is an employee workplace giving programme, where Goodman employees can offer financial support to charities they have selected, with contributions matched by the Goodman Foundation.

Organisations participating in good+deeds in 2015 included Clown Doctors, Australian Cancer Research Foundation (ACRF), Youngcare, House of Welcome, TNC Inc., EDA, FareShare, Kids under Cover and the Property Industry Foundation within Australia.

Other Goodman locations supported: MS New Zealand, Ronald McDonald House New Zealand, Starship Foundation New Zealand, Diabetes New Zealand, Fu Hong Society (Hong Kong), Children's Cancer Foundation (Hong Kong), Shanghai Charity Fund (China) and UNICEF (China). Goodman employees also donated to several emergency relief appeals run by Red Cross across the region.

The good+heart programme is all about employee engagement and under this programme the Goodman Foundation provides our people with the opportunity to make a difference by taking action. Under good+heart, Goodman team members can fundraise for a cause they are passionate about, volunteer their time or expertise or participate in a charity fundraising event.

Goodman provides encouragement and support in a number of ways to participants of good+heart, by funding the entry fees or costs of the event, making a donation to the cause, providing time off work and sourcing and organising opportunities for participation throughout the year.

During the year our staff have taken part in a new mentoring initiative under the good+heart programme which involved completing TAFE accredited training in mentoring and weekly mentoring sessions with year 8 students under the guidance of the Raise Foundation's "In-School Mentoring Programme" in disadvantaged schools across Sydney.

Another major global good+heart event which was well received in each of our offices was "Steptember 14", the major fundraising initiative of Cerebral Palsy Alliance. Goodman had a total of almost 100 teams of four people participate, raising close to $50,000.

Some of the other good+heart initiatives undertaken over the past year include: MS Gong Ride (MS Australia), Balmoral Burn (Humpty Dumpty Foundation), City2Surf (OzHarvest and ACRF), Endure for a Cure (Children's Cancer Institute of Australia), Entoure Bike Ride (Clown Doctors), Kayak for Kids (Kickstart), Great Potentials New Zealand, CBRE Property Industry Bike Ride (UK) and Goodman Interlink Magic Mile (Feeding Hong Kong).

The selected charities that Goodman supported during the 2015 financial year with cash grants or warehouse/office facilities include:

+ Australian Cancer Research Foundation
+ Bestest Foundation
+ Black Dog Institute
+ Books in Homes
+ Bread and Butter Project
+ Cerebral Palsy Alliance
+ Children's Cancer Institute of Australia
+ Clown Doctors
+ Duffy Books in Homes (New Zealand)
+ EDA (Educational Development Association)
+ FareShare
+ Feeding Hong Kong (Hong Kong)
+ Fu Hong Society (Hong Kong)
+ Good Beginnings Australia
+ Good360
+ House with No Steps
+ Humpty Dumpty Foundation
+ KiwiHarvest (New Zealand) – Founding Partner
+ Mission Australia
+ MS Australia
+ National Centre of Indigenous Excellence (NCIE)
+ NSPCC (UK)
+ Oxfam
+ OzHarvest
+ Property Industry Foundation
+ Qingcongquan (China)
+ Raise Foundation
+ Red Cross (Australia, New Zealand and Greater China)
+ Rising Foundation (New Zealand)
+ SOS Children's Villages (Belgium, France, Germany and Poland)
+ Special Olympics
+ The Amazing Magic Club
+ The Fred Hollows Foundation (Hong Kong)
+ The Helmsman Project
+ The Salvation Army
+ The Shepherd Centre
+ TNC Inc.
+ Victory Boxing (New Zealand)
+ Yalari
+ Youngcare

### Diversity

Goodman operates in markets that are geographically and culturally diverse. As a response to this, the primary objective of the Group's Diversity Strategy is to create a work environment which is inclusive, transparent and allows all employees to contribute equally to the achievement of the Group's commercial objectives, along with recognition of the diversity of the Group's customers and investors and their particular requirements.

The strategy is comprised of a range of initiatives which are all related to enhancing Goodman's work environment and driving improved career development opportunities for all employees, but with particular emphasis on gender representation. Increasing the representation of female employees at senior levels is an important long-term objective. Demonstrating this, the Group has set aspirational targets for the representation of women in senior executive and executive roles.

For the 2015 financial year, the representation of women within these categories increased, with a number of female employees moving into expanded roles with greater complexity and scope. Despite this encouraging progress, the Group recognises that further work is required over the longer term in relation to achieving greater representation of females within senior management roles and has invested in better performance management and learning and development strategies to support this.

During the year, we introduced new diversity initiatives and continued to build on existing programmes and initiatives from previous years. In particular, highlights were:

+ global implementation of a corporate social network platform that furthers internal communication and provides employees with the opportunity to comment on issues and publicise local news and events. This has led to greater awareness of Goodman's activities in each region and has been successful in generating a feeling of inclusion amongst employees, especially those in more remote offices;
+ continuation of specific and targeted programmes, such as Future+Women in Australia, which is designed to specifically address barriers to career progression for female employees. The programme was reviewed in 2015 and changes were made in response to participant feedback, to provide a greater emphasis on women driving their own career development opportunities and seeking assistance from their manager or other leaders within the Group;
+ introduction of one-on-one coaching for female employees as part of the above programme;
+ development and roll-out of the Maximise management development programme in Australia, with the planned introduction of this in China in 2016. The programme is designed to increase management skills through various action learning strategies and has been positively received;
+ senior executive management development programmes were conducted in Continental Europe, which encourage senior managers to think broadly about team management in the context of geographical and cultural diversity. Feedback from participants was very positive and this programme will be expanded in the 2016 financial year to additional managers, especially those with larger teams;
+ appointment of a Group Learning and Development Manager, with primary responsibility for the identification and design of learning requirements across a wide range of technical, compliance and skill based areas. This will be a long-term focus for the Group and is designed to further improve overall organisational capability;
+ implementation of an enhanced performance management system with improved functionality in regard to assessment of employees against key performance indicators. As part of this process, employees are strongly encouraged to outline their career aspirations and create development plans in support of these;
+ implementation of online learning content that provides employees with the opportunity to access a wide range of work-related training content; and
+ review of employment policies in several key locations to ensure that any barriers to participation are minimised through policies, such as parental leave and flexible work. With regard to flexible work, this is becoming more common at Goodman and is reinforced by the further implementation of the Group's Space To Work office model.

# CORPORATE GOVERNANCE

Goodman's Corporate Governance Statement can be viewed on our website at
http://www.goodman.com/about-us/corporate-governance/statement

## Contents

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 Group 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 40 to 42 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 43 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

## 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.

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:

| | Note | Consolidated 2015 $M | Consolidated 2014 $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.

### 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.

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $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)).

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.

### 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.

### 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.

### 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.

## 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<br>+ 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<br>+ Focus on core property portfolio in key locations<br>+ Focus on cost management<br>+ 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<br>+ Dedicated compliance officers<br>+ Review of transactions by the Group Investment Committee<br>+ 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<br>+ 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<br>+ Independent governance structures for managed partnerships |
| **People** | A strong executive management team supports the sustainability of the business | + Succession planning for senior executives<br>+ 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] |
|---|---|---|---|
| September 2019 | – | 14,246,949 | Relative TSR (25%) and operating EPS (75%) |
| September 2018 | – | 12,300,550 | Relative TSR (25%) and operating EPS (75%) |
| September 2017 | – | 11,492,964 | Relative TSR (25%) and operating EPS (75%) |
| September 2016 | – | 6,808,125 | Relative TSR (25%) and operating EPS (75%) |
| September 2015 | – | 2,605,044 | Relative TSR (50%) and operating EPS (50%) |

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited. 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 below 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 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.<br><br>**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.<br><br>**Financial targets:** Achievement of FY2015 financial targets such as operating EPS, return on assets, return on equity, management margin and gearing across the Consolidated Entity.<br><br>**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.<br><br>**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).<br><br>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 focuses 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%).<br><br>**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.<br><br>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.<br><br>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. |

## 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 16 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.

## 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.

## 2. Remuneration policy for executives continued

### (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.

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.

## 2. Remuneration policy for executives continued

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.

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.

### 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.

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 |

### 3. Consequences of performance on Securityholder wealth continued

#### 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 34 for Non-Executive and Executive Directors and on page 35 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**

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;

#### 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 34 and 35. 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 38.

## 4. Discussion of 2015 remuneration outcomes continued

### Group Chief Executive Officer remuneration

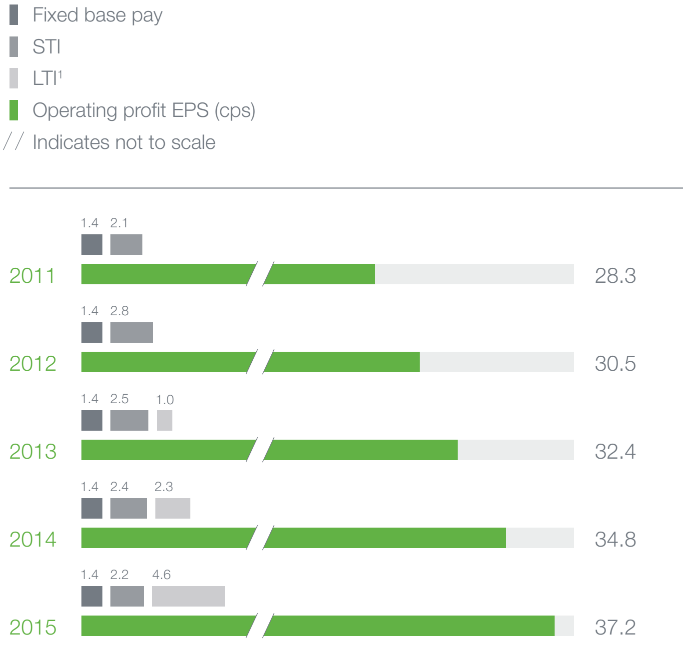
In respect of levels of total remuneration, comprising fixed base pay, STI and LTI, the Board believes that given Goodman's global presence, scale and integrated business model, the remuneration levels for the Group Chief Executive Officer and several other senior executive roles should be referenced 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.

**Group Chief Executive Officer remuneration** ($M)




1. Amount vested during the year based on price at date of vesting

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.

### 4. Discussion of 2015 remuneration outcomes continued

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.

## 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 right 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 |

### 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).

## 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.

## 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.

## 8. Other prescribed information continued

### 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 37 for explanatory footnotes.

## 8. Other prescribed information continued

| | 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.

**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.

## 8. Other prescribed information continued

### 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 |

## 8. Other prescribed information continued

### 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) | – |

### 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.

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

### Board of Directors continued

**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.

**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.

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

### Board of Directors continued

**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 Group 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.

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

### 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 44 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

KPMG

**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

**KPMG**

**John Teer**
Partner

Sydney, 13 August 2015

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

| | | Consolidated | |
|---|---|---|---|
| | Note | 2015 $M | 2014 $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).

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

| | | Consolidated | |
|---|---|---|---|
| | Note | 2015 $M | 2014 $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.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

| | Note | Consolidated 2015 $M | 2014 $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.

**Year ended 30 June 2014**
**Consolidated**

| | | Attributable to Securityholders | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Issued capital $M | Reserves $M | Accumulated losses $M | Total $M | Other non-controlling interests $M | Total equity $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**

| | Note | Attributable to Securityholders: Issued capital $M | Reserves $M | Accumulated losses $M | Total $M | Other non-controlling interests $M | Total equity $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.

| | 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 continued

### 1. Basis of preparation continued

#### Exchange rates used

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

| | Weighted average | | As at 30 June | |
|---|---|---|---|---|
| Australian dollar (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.

#### 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.

#### 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 continued**

### 2. Profit before income tax continued

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

| | Note | Consolidated 2015 $M | Consolidated 2014 $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 continued

## 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 continued**

## 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 below.

**Information about reportable segments**

| | Australia and New Zealand | | Asia | | Continental Europe | | United Kingdom | | Americas | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $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 |

| **Statement of financial position** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $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** |

## 4. Segment reporting continued

### 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** |

## 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.

### Results for the year continued

#### 5. Income tax continued

| | Consolidated 2015 $M | Consolidated 2014 $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)** |
| **(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)** |
| **(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)** |
| **(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 | |
|---|---|---|---|---|---|---|
| **Consolidated** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $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 continued

### 6. Property assets continued

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

| | Note | Consolidated 2015 $M | Consolidated 2014 $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.

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.

Operating assets and liabilities continued

## 6. Property assets continued

### (c) Estimates and assumptions in determining property carrying values continued

#### 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 | |
|---|---|---|
| Division | 2015 % | 2014 % |
| 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.

### (d) Inventories

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| **Current** | | |
| Land and development properties | 364.3 | 121.1 |
| | **364.3** | **121.2** |
| **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 | 2014 $M |
| Carrying amount at the beginning of the year | 2,532.9 | 2,405.9 |
| Capital expenditure | 105.2 | 65.8 |
| Transfers | – | – |
| 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 continued**

## 6. Property assets continued

### (e) Investment properties continued

**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 input | 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 $M | 2014 $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** |

### (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.

Operating assets and liabilities continued

## 6. Property assets continued

### (f) Investments accounted for using the equity method continued

### (i) Investments in associates

The Consolidated Entity's associates are set out below:

| Name of associate | Country of establishment/ incorporation | Consolidated share of associate's result recognised 2015 $M | Consolidated share of associate's result recognised 2014 $M | Consolidated ownership interest 2015 % | Consolidated ownership interest 2014 % | Consolidated investment carrying amount 2015 $M | Consolidated investment carrying amount 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.

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

| Movement in carrying amounts of associates | Consolidated 2015 $M | Consolidated 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 continued

### 6. Property assets continued

#### (f) Investments accounted for using the equity method continued

#### (i) Investments in associates continued

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 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2015 $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 continued

## 6. Property assets continued

### (f) Investments accounted for using the equity method continued

### (ii) Investments in JVs

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

| Name of JV | Country of establishment/ incorporation | Consolidated share of net result recognised 2015 $M | Consolidated share of net result recognised 2014 $M | Consolidated ownership interest 2015 % | Consolidated ownership interest 2014 % | Consolidated investment carrying amount 2015 $M | Consolidated investment carrying amount 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:

| Movement in carrying amounts of JVs | Consolidated 2015 $M | Consolidated 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 continued**

**6. Property assets continued**

**(f) Investments accounted for using the equity method continued**

**(ii) Investments in JVs continued**

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 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2015 $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 continued

### 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 | |
|---|---|---|---|
| | Note | 2015 $M | 2014 $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.

### 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 $M | 2014 $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.

**Operating assets and liabilities continued**

## 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.

| | Note | Consolidated 2015 $M | Consolidated 2014 $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** |

## 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 70).

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 | Consolidated 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 | Consolidated 2015 $M | Consolidated 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 continued

## 10. Goodwill and intangible assets continued

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 continued**

### 10. Goodwill and intangible assets continued

**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.

#### 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.

## 10. Goodwill and intangible assets continued

### Impairment testing for intangible assets continued

### 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.

### 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 continued

### 10. Goodwill and intangible assets continued

#### 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 | United Kingdom Logistics | United Kingdom – Business Parks |
|---|---|---|---|---|
| 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 $M | 2014 $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 continued

## 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.

### (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.

## Capital management continued

## 12. Interest bearing liabilities continued

### (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.

## 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 $M | 2014 $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.

### Capital management continued

### 13. Other financial assets and liabilities continued

#### Other financial liabilities

| | Consolidated 2015 $M | Consolidated 2014 $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.

### 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.

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).

Capital management continued

## 14. Financial risk management continued

### (a) Market risk continued

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 years | – | – | – | (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 years | – | – | – | (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 continued

### 14. Financial risk management continued

#### (a) Market risk continued

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).

#### 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.

## Capital management continued

## 14. Financial risk management continued

### (a) Market risk continued

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 continued**

## 14. Financial risk management continued

### (b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity 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.

The contractual maturities of financial liabilities are set out below:

| | Carrying amount $M | Contractual cash flows $M | Less than 1 year $M | 1–2 years $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 continued

## 14. Financial risk management continued

### (c) Credit risk

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

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

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.

### 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).

### Capital management continued

### 14. Financial risk management continued

### (c) Credit risk continued

#### 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.

#### 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 | 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 continued

## 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 continued**

## 16. Issued capital continued

### (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.

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

Capital management continued

## 16. Issued capital continued

### (b) Share based payments continued

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 continued

### 18. Reserves

| | Note | Consolidated 2015 $M | Consolidated 2014 $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 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $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.

| | GL 2015 $M | GL 2014 $M | GIT 2015 $M | GIT 2014 $M | GLHK 2015 $M | GLHK 2014 $M | Securityholders 2015 $M | Securityholders 2014 $M |
|---|---|---|---|---|---|---|---|---|
| **(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.

| | GL 2015 $M | GL 2014 $M | GIT 2015 $M | GIT 2014 $M | GLHK 2015 $M | GLHK 2014 $M | Securityholders 2015 $M | Securityholders 2014 $M |
|---|---|---|---|---|---|---|---|---|
| **(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.

| | GL 2015 $M | GL 2014 $M | GIT 2015 $M | GIT 2014 $M | GLHK 2015 $M | GLHK 2014 $M | Securityholders 2015 $M | Securityholders 2014 $M |
|---|---|---|---|---|---|---|---|---|
| **(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.

| | GL 2015 $M | GL 2014 $M | GIT 2015 $M | GIT 2014 $M | GLHK 2015 $M | GLHK 2014 $M | Securityholders 2015 $M | Securityholders 2014 $M |
|---|---|---|---|---|---|---|---|---|
| **(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.

| | GL 2015 $M | GL 2014 $M | GIT 2015 $M | GIT 2014 $M | GLHK 2015 $M | GLHK 2014 $M | Securityholders 2015 $M | Securityholders 2014 $M |
|---|---|---|---|---|---|---|---|---|
| **Total reserves** | **(508.8)** | **(279.8)** | **272.9** | **(1,133.5)** | **103.5** | **82.8** | **(132.4)** | **(1,330.5)** |

### Other items continued

### 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 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $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 $M | 2014 $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 continued

### 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 incorporation/establishment |
|---|---|
| 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 |
| 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 |

### Other items continued

## 21. Controlled entities continued

| Significant controlled entities | Country of incorporation/establishment |
|---|---|
| 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.

### Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

| | Consolidated | | Goodman Limited[1] | |
|---|---|---|---|---|
| | 2015 $M | 2014 $M | 2015 $M | 2014 $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 disposals of investment properties | | Revenue from management services and development activities | | Interest charged on loans to related parties | |
|---|---|---|---|---|---|---|
| | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $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 |

## Other items continued

### 22. Related parties continued

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

| | Amounts due from related parties[1] | | Loans provided by Goodman[2] | |
|---|---|---|---|---|
| | 2015 $M | 2014 $M | 2015 $M | 2014 $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).

### 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 continued**

## 24. Auditors' remuneration

| | Consolidated 2015 $000 | Consolidated 2014 $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 continued

## 25. Parent Entity disclosures continued

### 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.

# DIRECTORS' DECLARATION

GOODMAN LIMITED AND ITS CONTROLLED ENTITIES

In the opinion of the directors of Goodman Limited:

(a) the consolidated financial statements and the notes set out on pages 45 to 92 and the remuneration report that is contained on pages 26 to 39 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

**Gregory Goodman**
Group Chief Executive Officer

Sydney, 13 August 2015

KPMG

## 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.

### 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 26 to 39 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

**KPMG**

John Teer

Eileen Hoggett

**John Teer**
Partner

Sydney, 13 August 2015

**Eileen Hoggett**
Partner

Sydney, 13 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

## Contents

The directors (Directors) of Goodman Funds Management Limited (Responsible Entity), the responsible entity for Goodman Industrial Trust (GIT, Trust or Parent Entity), present their Directors' report together with the consolidated financial report of GIT and the entities it controlled (Consolidated Entity) at the end of, or during, the year ended 30 June 2015 and the audit report thereon.

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

GIT's units are stapled to both shares in GL and CHESS Depositary Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK). The units in GIT, shares in GL and CDIs over ordinary shares in GLHK are quoted as a single security on the Australian Securities Exchange (ASX) as Goodman Group stapled securities.

## Principal activities

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

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

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 101 to 102 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 102 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 Group's strategy

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

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

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

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

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| Net property income | 113.0 | 117.5 |
| Share of net results of equity accounted investments (before asset revaluations and derivative mark to market movements) | 239.0 | 236.0 |
| Investment earnings | 352.0 | 353.5 |
| Profit attributable to unitholders of GIT (Unitholders) | 903.3 | 454.0 |
| Total comprehensive income attributable to Unitholders | 1,169.4 | 644.8 |

## Property investment

Investment earnings comprise gross property income, net of property expenses, and the Consolidated Entity's share of the results of equity accounted investments. The key drivers for maintaining or growing the Consolidated Entity's investment earnings are increasing the level of assets in partnerships (subject also to the Consolidated Entity's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, changes to rent levels and changes in financing arrangements.

During the year, attractive capital market conditions have provided Goodman Group with ongoing opportunities to selectively rotate assets. As a result, $1.9 billion of properties across Goodman Group and its managed partnerships have been sold to third parties. However, Goodman Group's 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 has resulted in Goodman Group's assets under management increasing in most regions.

Goodman Group continues to progress its urban renewal strategy in Australia and has achieved positive planning outcomes on a number of sites. At 30 June 2015, the Consolidated Entity has $0.7 billion of sites conditionally contracted for sale, reflecting the strong demand for zoned residential sites and expects to realise these sale proceeds over the next three years, providing medium term capital to fund opportunities for the Consolidated Entity and its partnerships.

The Consolidated Entity's net property income has decreased compared to the prior year due to asset sales and the repositioning of assets for urban renewal. Share of net results of equity accounted investments (referred to as partnerships) has been negatively impacted by the sale of Arlington Business Parks Partnership (ABPP) to GL during the year but is still higher compared to the prior year due to stronger leasing activity and growth in assets from acquisitions and developments.

Goodman Group's property fundamentals remain strong, reflecting the quality of the portfolio and customers. Occupancy has been maintained at 96% with a weighted average lease expiry 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%.

### 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 55% 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 the Consolidated Entity's share of partnerships, are in excess of $550 million.

## Statement of financial position

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| Stabilised investment properties | 2,052.2 | 1,776.9 |
| Cornerstone investments in partnerships | 3,166.5 | 3,000.3 |
| Development holdings | 209.0 | 276.0 |
| Loans to related parties | 3,233.1 | 2,704.9 |
| Cash | 602.4 | 227.9 |
| Other assets | 359.9 | 178.5 |
| **Total assets** | **9,623.1** | **8,164.5** |
| Interest bearing liabilities | 2,604.8 | 2,160.5 |
| Other liabilities | 824.0 | 704.7 |
| **Total liabilities** | **3,428.8** | **2,865.2** |
| Non-controlling interests | 325.8 | 325.8 |
| **Net assets attributable to Unitholders** | **5,868.5** | **4,973.5** |

## Operating and financial review continued

### Stabilised investment properties

The value of stabilised investment properties has increased by $275.3 million to $2,052.2 million, which is primarily due to revaluation gains during the year of $381.8 million partially offset by asset disposals. The majority of the 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 a key driver of the valuation gains.

### Cornerstone investments in partnerships

The value of cornerstone investments in partnerships has increased by $166.2 million to $3,166.5 million, of which $147.7 million is a result of movement in foreign currency. Additional capital contributions to fund acquisitions and developments and share of results of partnerships, net of distributions, account for a further increase of approximately $340 million. This is offset by the disposal of the Consolidated Entity's investment in ABPP to GL and asset disposals in Australia and Continental Europe as the partnerships capitalise on the strong investment market. This strong investment market has also resulted in a tightening of capitalisation rates, resulting in valuation gains of $174.9 million.

### Loans to related parties

Loans to related parties are primarily loans to GL, GLHK and their controlled entities. The majority of interest bearing liabilities in Goodman Group is held by the Consolidated Entity which on lends the proceeds to other members of Goodman Group to fund acquisitions and developments. Loans to related parties have increased by $528.2 million to $3,233.1 million. The increase is primarily due to movement in foreign currency and loans extended to GL to fund its acquisition of ABPP, partially offset by the repayment of loans by GL, GLHK and their controlled entities.

### Cash and interest bearing liabilities

Interest bearing liabilities net of cash are $2,002.4 million compared to $1,932.6 million at 30 June 2014. The increase is primarily due to foreign currency exchange movements. Movements in other assets and other liabilities mainly reflect the changes in the Consolidated Entity's derivative financial instruments.

### Issued capital

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

| | Consolidated | |
|---|---|---|
| | 2015 M | 2014 M |
| Units on issue at the beginning of the year | 1,727.7 | 1,713.2 |
| Units issued | 25.3 | 14.5 |
| **Units on issue at the end of the year** | **1,753.0** | **1,727.7** |

### Capital management

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

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

Furthermore, Goodman Group's distribution reinvestment plan (DRP) was active during the financial year, raising a total of $89.4 million, of which $68.3 million related to the Consolidated Entity.

### Outlook

The majority of the Consolidated Entity'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 the Consolidated Entity's property portfolios and fund growth.

Urban renewal activity is expected to remain strong in the Australian market over the medium term. The impact of urban renewal on the Consolidated Entity's income statement will most likely manifest in the form of asset revaluations, with realisations over the next 3 years.

At the same time, Goodman Group 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 Group to take advantage of future opportunities that might arise.

Overall, the Consolidated Entity will benefit from its globally diversified platform and is well positioned to achieve solid earnings growth for the year ending 30 June 2016.

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.

### Distributions

The total distribution declared to ordinary Unitholders during the year was 22.2 cents per unit (2014: 20.7 cents per unit). Further details of distributions paid or declared during the year are set out in note 11 to the consolidated financial statements.

### Environmental regulations

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

### Interests of the Responsible Entity

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

### Indemnification and insurance of officers and auditors

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

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

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

### Fees paid to and interests held by related entities and Directors

Fees were paid or are payable to Goodman Limited and its associated entities for services provided during the year. Details of these fees and the interests of the Responsible Entity and other related party information are set out in note 18 to the consolidated financial statements.

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

| Directors | Number of securities | Number of performance rights |
|---|---|---|
| **Non-Executive** | | |
| Mr Ian Ferrier | 159,309 | – |
| Mr Philip Fan | 59,463 | – |
| Mr John Harkness | 92,666 | – |
| Ms Anne Keating | 64,033 | – |
| Ms Rebecca McGrath | 20,395 | – |
| Mr Phillip Pryke | 108,232 | – |
| Mr Jim Sloman | 83,244 | – |
| **Executive** | | |
| Mr Gregory Goodman | 41,476,923 | 3,763,653 |
| Mr Philip Pearce | 178,803 | 1,374,438 |
| Mr Danny Peeters | 896,903 | 1,887,302 |
| Mr Anthony Rozic | 539,690 | 1,932,551 |

At 30 June 2015, Mr Anthony Rozic held 1,000 of the perpetual preferred units (Goodman PLUS) issued by Goodman PLUS Trust. None of the other Directors holds any relevant interests in Goodman PLUS.

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

### Board of Directors

**Mr Ian Ferrier, AM – Independent Chairman**
**Member of the Audit Committee and Remuneration and Nomination Committee**
**Appointed 23 February 2005; Tenure 10 years, 4 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 17 January 1995; Tenure 20 years, 5 months**

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

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

**Mr Philip Fan – Independent Director**
**Member of the Audit Committee and Risk and Compliance Committee**
**Appointed 1 December 2011; Tenure 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 1 September 2004; Tenure 10 years, 10 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.

**Ms Anne Keating – Independent Director**
**Member of the Remuneration and Nomination Committee and Risk and Compliance Committee**
**Appointed 6 February 2004; Tenure 11 years, 5 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 Masters of Applied Science (Project Management) and is a graduate of the Cambridge University Business and Environment Program. She is a Fellow of the Australian Institute of Company Directors.

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

### Board of Directors continued

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

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

Philip is a director and/or representative of Goodman Group's Greater China 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 year, 6 months**

Danny has oversight of Goodman Group's European Logistics and Business Park operations and strategy and is responsible for Goodman Group's investment in Brazil. Danny has been with Goodman Group since 2006 and has 17 years of experience in the property and logistics sectors. Danny is a director of Goodman Group'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 Group in May 2006.

**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 Group Chief Executive Officer**
**Appointed 1 January 2013; Tenure 2 year, 6 months**

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

Anthony is also a director of Goodman Group's subsidiaries and was recently responsible for establishing Goodman Group'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 Group.

### Company Secretary

**Mr Carl Bicego – Company Secretary**
**Appointed 24 October 2006**

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

## Rights over Goodman Group stapled securities

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

### Performance rights

| | Number of performance rights granted | Date performance rights granted | % vested in prior years | % vested in the year | % forfeited | Financial years in which grant vests |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Mr Gregory Goodman | 995,476 | 20 Nov 2014 | – | – | – | 2018 – 2020 |
| | 947,368 | 22 Nov 2013 | – | – | – | 2017 – 2019 |
| | 927,152 | 16 Nov 2012 | – | – | – | 2016 – 2018 |
| | 980,000 | 25 Nov 2011 | – | 33.2 | 0.5 | 2015 – 2017 |
| | 730,770 | 1 Feb 2011 | 33.3 | 33.3 | – | 2014 – 2016 |
| | 780,000 | 14 May 2010 | 66.7 | 33.3 | – | 2013 – 2015 |
| Mr Philip Pearce | 497,738 | 20 Nov 2014 | – | – | – | 2018 – 2020 |
| | 394,737 | 22 Nov 2013 | – | – | – | 2017 – 2019 |
| | 298,013 | 16 Nov 2012 | – | – | – | 2016 – 2018 |
| | 200,000 | 30 Sep 2011 | – | 33.2 | 0.5 | 2015 – 2017 |
| | 153,847 | 1 Feb 2011 | 33.3 | 33.3 | – | 2014 – 2016 |
| | 229,167 | 14 May 2010 | 66.7 | 33.3 | – | 2013 – 2015 |
| Mr Danny Peeters | 497,738 | 20 Nov 2014 | – | – | – | 2018 – 2020 |
| | 421,053 | 22 Nov 2013 | – | – | – | 2017 – 2019 |
| | 463,576 | 12 Oct 2012 | – | – | – | 2016 – 2018 |
| | 520,000 | 30 Sep 2011 | – | 33.2 | 0.5 | 2015 – 2017 |
| | 480,000 | 1 Feb 2011 | 33.3 | 33.3 | – | 2014 – 2016 |
| | 554,436 | 14 May 2010 | 66.7 | 33.3 | – | 2013 – 2015 |
| Mr Anthony Rozic | 542,987 | 20 Nov 2014 | – | – | – | 2018 – 2020 |
| | 421,053 | 22 Nov 2013 | – | – | – | 2017 – 2019 |
| | 463,576 | 12 Oct 2012 | – | – | – | 2016 – 2018 |
| | 520,000 | 30 Sep 2011 | – | 33.2 | 0.5 | 2015 – 2017 |
| | 480,000 | 1 Feb 2011 | 33.3 | 33.3 | – | 2014 – 2016 |
| | 520,834 | 14 May 2010 | 66.7 | 33.3 | – | 2013 – 2015 |

## Unissued securities under option

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

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

| Expiry date | Exercise price $ | Number of performance rights[1] | Performance hurdles[2] |
|---|---|---|---|
| September 2019 | – | 14,246,949 | Relative TSR (25%) and operating EPS (75%) |
| September 2018 | – | 12,300,550 | Relative TSR (25%) and operating EPS (75%) |
| September 2017 | – | 11,492,964 | Relative TSR (25%) and operating EPS (75%) |
| September 2016 | – | 6,808,125 | Relative TSR (25%) and operating EPS (75%) |
| September 2015 | – | 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.
2. Performance hurdles are based on the results of Goodman Group.

### 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 Group Chief Executive Officer and Chief Financial Officer

The Group Chief Executive Officer and Chief Financial Officer declared in writing to the Board of GFML 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 of the Consolidated Entity 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 105 and forms part of this Directors' report for the year.

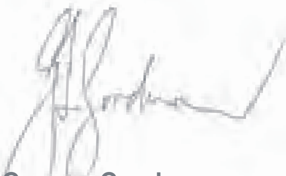
### Rounding

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

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

**Ian Ferrier, AM**
Independent Chairman

Sydney, 13 August 2015



**Gregory Goodman**
Group Chief Executive Officer

# LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

| | Note | Consolidated 2015 $M | Consolidated 2014 $M |
|---|---|---|---|
| **Current assets** | | | |
| Cash | 13(a) | 602.4 | 227.9 |
| Receivables | 5 | 3,326.7 | 2,726.7 |
| Inventories | 4(b) | 9.0 | 4.2 |
| Other financial assets | 9 | 4.4 | 0.1 |
| Other assets | | 5.4 | 5.6 |
| **Total current assets** | | **3,947.9** | **2,964.5** |
| **Non-current assets** | | | |
| Receivables | 5 | 12.0 | 39.6 |
| Inventories | 4(b) | 125.5 | 98.3 |
| Investment properties | 4(b) | 2,126.7 | 1,950.4 |
| Investments accounted for using the equity method | 4(b) | 3,166.5 | 3,000.3 |
| Other financial assets | 9 | 244.5 | 111.4 |
| **Total non-current assets** | | **5,675.2** | **5,200.0** |
| **Total assets** | | **9,623.1** | **8,164.5** |
| **Current liabilities** | | | |
| Deferred income | | 0.5 | 1.6 |
| Payables | 6 | 148.4 | 118.4 |
| Provision for distributions | 11 | 194.6 | 178.8 |
| Other financial liabilities | 9 | 50.5 | 0.8 |
| **Total current liabilities** | | **394.0** | **299.6** |
| **Non-current liabilities** | | | |
| Payables | 6 | 82.7 | 102.1 |
| Interest bearing liabilities | 8 | 2,604.8 | 2,160.5 |
| Other financial liabilities | 9 | 347.3 | 303.0 |
| **Total non-current liabilities** | | **3,034.8** | **2,565.6** |
| **Total liabilities** | | **3,428.8** | **2,865.2** |
| **Net assets** | | **6,194.3** | **5,299.3** |
| **Equity** | | | |
| Issued capital | 12 | 7,131.4 | 7,025.2 |
| Reserves | 14 | 252.0 | (1,154.4) |
| Accumulated losses | 15 | (1,514.9) | (897.3) |
| **Total equity attributable to Unitholders** | | **5,868.5** | **4,973.5** |
| Non-controlling interests | 16 | 325.8 | 325.8 |
| **Total equity** | | **6,194.3** | **5,299.3** |

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 note 5, 6 and 9).

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

| | Note | Consolidated 2015 $M | Consolidated 2014 $M |
|---|---|---|---|
| **Revenue and other income** | | | |
| Gross property income | | 160.6 | 164.0 |
| Income from disposal of inventories | | – | 4.0 |
| Net gain from fair value adjustments on investment properties | 4(e) | 381.8 | 23.8 |
| Net gain on disposal of investment properties | 2 | 6.7 | 0.8 |
| Net gain on disposal of controlled entities | 2 | 32.1 | 0.2 |
| Share of net results of equity accounted investments | 2 | 422.8 | 350.8 |
| Net loss on disposal of equity investments | 2 | – | (1.2) |
| Other income | | 2.5 | 1.5 |
| | | **1,006.5** | **543.9** |
| **Property and other expenses** | | | |
| Property expenses | | (47.6) | (46.5) |
| Inventory cost of sales | | – | (2.7) |
| Trust expenses | | (20.9) | (19.6) |
| Impairment losses | 2 | (7.6) | (4.5) |
| Other expenses | | (2.4) | (2.5) |
| | | **(78.5)** | **(75.8)** |
| **Profit before interest and tax** | | **928.0** | **468.1** |
| **Net finance income/(expense)** | | | |
| Finance income | 7 | 266.2 | 198.9 |
| Finance expense | 7 | (267.8) | (185.6) |
| **Net finance (expense)/income** | | **(1.6)** | **13.3** |
| **Profit before income tax** | | **926.4** | **481.4** |
| Income tax expense | | (1.9) | (6.0) |
| **Profit for the year** | | **924.5** | **475.4** |
| **Profit attributable to Unitholders** | | **903.3** | **454.0** |
| Profit attributable to non-controlling interests | | 21.2 | 21.4 |
| **Profit for the year** | | **924.5** | **475.4** |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

| | Note | Consolidated 2015 $M | Consolidated 2014 $M |
|---|---|---|---|
| **Profit for the year** | | **924.5** | **475.4** |
| **Other comprehensive income for the year** | | | |
| **Items that are or may be reclassified to profit or loss** | | | |
| Increase due to revaluation of other financial assets | 14(a) | 2.1 | 1.6 |
| Cash flow hedges: | | | |
| – Change in value of financial instruments | 14(b) | 0.8 | 0.8 |
| – Transfers from cash flow hedge reserve | 14(b) | 4.1 | 2.4 |
| Effect of foreign currency translation | 14 | 259.1 | 186.0 |
| **Other comprehensive income for the year, net of tax** | | **266.1** | **190.8** |
| **Total comprehensive income for the year** | | **1,190.6** | **666.2** |
| **Total comprehensive income attributable to:** | | | |
| Unitholders | | 1,169.4 | 644.8 |
| Non-controlling interests | | 21.2 | 21.4 |
| **Total comprehensive income for the year** | | **1,190.6** | **666.2** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

**Year ended 30 June 2014**
**Consolidated**

| | | Attributable to Unitholders | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Issued capital $M | Reserves $M | Accumulated losses $M | Total $M | Non-controlling interests $M | Total equity $M |
| **Balance at 1 July 2013** | | **6,973.2** | **(1,491.6)** | **(856.2)** | **4,625.4** | **331.5** | **4,956.9** |
| **Total comprehensive income for the year** | | | | | | | |
| Profit for the year | 15 | – | – | 454.0 | 454.0 | 21.4 | 475.4 |
| Other comprehensive income for the year, net of tax | | – | 190.8 | – | 190.8 | – | 190.8 |
| **Total comprehensive income for the year** | | **–** | **190.8** | **454.0** | **644.8** | **21.4** | **666.2** |
| Transfers | | – | 138.4 | (138.4) | – | – | – |
| **Contributions by and distributions to owners** | | | | | | | |
| Distributions declared on ordinary units | 11 | – | – | (356.7) | (356.7) | – | (356.7) |
| Distributions paid on Goodman PLUS | 16 | – | – | – | – | (27.1) | (27.1) |
| Issue of ordinary units under the Goodman Group DRP | | 32.5 | – | – | 32.5 | – | 32.5 |
| Issue of ordinary units under the Goodman Group LTIP | | 19.5 | – | – | 19.5 | – | 19.5 |
| Equity settled share based payments transaction relating to Goodman Group | | – | 8.0 | – | 8.0 | – | 8.0 |
| **Balance at 30 June 2014** | | **7,025.2** | **(1,154.4)** | **(897.3)** | **4,973.5** | **325.8** | **5,299.3** |

**Year ended 30 June 2015**
**Consolidated**

| | | Attributable to Unitholders | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Issued capital $M | Reserves $M | Accumulated losses $M | Total $M | Non-controlling interests $M | Total equity $M |
| **Balance at 1 July 2014** | | **7,025.2** | **(1,154.4)** | **(897.3)** | **4,973.5** | **325.8** | **5,299.3** |
| Total comprehensive income for the year | | | | | | | |
| Profit for the year | 15 | – | – | 903.3 | 903.3 | 21.2 | 924.5 |
| Other comprehensive income for the year, net of tax | | – | 266.1 | – | 266.1 | – | 266.1 |
| **Total comprehensive income for the year** | | **–** | **266.1** | **903.3** | **1,169.4** | **21.2** | **1,190.6** |
| Transfers | | – | 1,132.6 | (1,132.6) | – | – | – |
| **Contributions by and distributions to owners** | | | | | | | |
| Distributions declared on ordinary units | 11 | – | – | (388.3) | (388.3) | – | (388.3) |
| Distributions paid on Goodman PLUS | 16 | – | – | – | – | (21.2) | (21.2) |
| Issue of ordinary units under the Goodman Group DRP | | 68.3 | – | – | 68.3 | – | 68.3 |
| Issue of ordinary units under the Goodman Group LTIP | | 38.0 | – | – | 38.0 | – | 38.0 |
| Issue costs on ordinary units | | (0.1) | – | – | (0.1) | – | (0.1) |
| Equity settled share based payments transaction relating to Goodman Group | | – | 7.7 | – | 7.7 | – | 7.7 |
| **Balance at 30 June 2015** | | **7,131.4** | **252.0** | **(1,514.9)** | **5,868.5** | **325.8** | **6,194.3** |

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

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

| | | Consolidated | |
|---|---|---|---|
| | Note | 2015 $M | 2014 $M |
| **Cash flows from operating activities** | | | |
| Property income received | | 163.5 | 171.8 |
| Proceeds from disposal of inventories | | – | 4.4 |
| Other cash receipts from services provided | | 0.4 | 6.7 |
| Property expenses paid | | (47.8) | (47.7) |
| Payments for inventories | | (74.3) | (12.2) |
| Other cash payments in the course of operations | | (23.9) | (37.6) |
| Dividends/distributions received from equity accounted investments | | 228.0 | 149.8 |
| Interest received | | 13.4 | 14.5 |
| Finance costs paid | | (116.0) | (114.5) |
| Net income taxes paid | | (3.6) | (0.6) |
| **Net cash provided by operating activities** | 13(b) | **139.7** | **134.6** |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of investment properties | | 50.8 | 15.4 |
| Proceeds from disposal of equity investments | | – | 226.5 |
| Net cash movement on disposal of controlled entities | | 230.6 | (7.3) |
| Payments for investment properties | | (33.4) | (47.6) |
| Payments for equity investments | | (145.5) | (256.4) |
| **Net cash provided by/(used in) investing activities** | | **102.5** | **(69.4)** |
| **Cash flows from financing activities** | | | |
| Transaction costs from issue of units | | (0.1) | – |
| Proceeds from borrowings | | 358.9 | 422.1 |
| Repayments of borrowings | | (279.0) | (535.2) |
| Loans from related parties | | 356.8 | 111.0 |
| Distributions paid | | (304.3) | (240.3) |
| **Net cash provided by/(used in) financing activities** | | **132.3** | **(242.4)** |
| Net increase/(decrease) in cash held | | 374.5 | (177.2) |
| Cash at the beginning of the year | | 227.9 | 405.1 |
| **Cash at the end of the year** | 13(a) | **602.4** | **227.9** |

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

Non-cash transactions are included in note 13(c).

## Basis of preparation

### 1. Basis of preparation

Goodman Industrial Trust was established in Australia. The consolidated financial report of GIT for the year ended 30 June 2015 comprises GIT and its controlled entities (Consolidated Entity) and the Consolidated Entity's interest in associates and joint ventures (JVs).

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

#### (a) Statement of compliance

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

The consolidated financial report is presented in Australian dollars and was authorised for issue by the directors (Directors) of Goodman Funds Management Limited on 13 August 2015.

#### (b) Basis of preparation of the consolidated financial report

The consolidated financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at fair value:

+ investment properties;
+ derivative financial instruments; and
+ financial instruments classified as available for sale.

#### (c) Foreign currency translation

**Functional and presentation currency**

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

**Transactions**

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

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

**Translation of controlled foreign operations**

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

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

## 1. Basis of preparation continued

### (c) Foreign currency translation continued

Exchange rates used

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

| | Weighted average | | As at 30 June | |
|---|---|---|---|---|
| Australian dollar (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 |
| Japanese yen (JPY) | 95.5310 | 92.7775 | 94.1320 | 95.4520 |
| Euros (EUR) | 0.6959 | 0.677 | 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 |

### (d) Income tax

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

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

### (e) 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.

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

As at the date of this 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. The revised AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and 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.

### (g) 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.

### (h) 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 4 – Property assets; and
+ Note 10 – Financial risk management.

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

### Measurement of fair values

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

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

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

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

+ Note 4 – Property assets; and
+ Note 10 – 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.

**Disposal of inventories**

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

**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.

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

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| Net consideration from disposal of investment properties | 53.5 | 14.6 |
| Carrying value of investment properties disposed – refer to note 4(e) | (46.8) | (13.8) |
| **Net gain on disposal of investment properties** | **6.7** | **0.8** |
| Net consideration received and receivable from the disposal of controlled entities – refer to note 17 | 225.1 | 211.8 |
| Carrying value of net assets disposed – refer to note 17 | (193.0) | (211.8) |
| Net gain on disposal of special purpose development entities | – | 0.2 |
| **Net gain on disposal of controlled entities** | **32.1** | **0.2** |
| Share of net results of investments in associates – refer to note 4(f)(i) | | |
| – Operating results after tax (before revaluations) | 204.6 | 213.7 |
| – Fair value adjustments on investment properties | 145.9 | 116.0 |
| – Fair value adjustments on derivative financial instruments | 9.4 | (7.0) |
| Share of net results of investments in JVs – refer to note 4(f)(ii) | | |
| – Operating results after tax (before revaluations) | 34.4 | 22.3 |
| – Fair value adjustments on investment properties | 29.0 | 8.1 |
| – Fair value adjustments on derivative financial instruments | (0.5) | (2.3) |
| **Share of net results of equity accounted investments** | **422.8** | **350.8** |
| Net consideration from disposal of equity investments[1] | – | 416.2 |
| Carrying value of equity investments disposed | – | (417.4) |
| **Net loss on disposal of equity investments** | **–** | **(1.2)** |
| Impairment of receivables | – | (0.5) |
| Impairment of inventories | (7.6) | (3.6) |
| Impairment of equity accounted investments | – | (0.1) |
| Impairment of other financial assets | – | (0.3) |
| **Impairment losses** | **(7.6)** | **(4.5)** |

1. In the prior financial year, the Consolidated Entity disposed of units in Goodman Australia Industrial Fund for consideration of $53.1 million, Goodman Property Trust for consideration of $194.7 million and Goodman European Logistics Fund for consideration of $168.4 million.

**Results for the year continued**

### 3. Segment reporting

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

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

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

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

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

**Information about reportable segments**

| | Australia and New Zealand | | Asia | | Continental Europe | | United Kingdom | | North America | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** |
| **External revenues** | | | | | | | | | | | | |
| Gross property income | 151.9 | 147.3 | – | – | – | – | 8.7 | 16.7 | – | – | 160.6 | 164.0 |
| Income from disposal of inventories | – | 4.0 | – | – | – | – | – | – | – | – | – | 4.0 |
| Other income | 2.3 | 1.1 | – | – | 0.2 | 0.4 | – | – | – | – | 2.5 | 1.5 |
| **Total external revenues** | **154.2** | **152.4** | **–** | **–** | **0.2** | **0.4** | **8.7** | **16.7** | **–** | **–** | **163.1** | **169.5** |
| **Reportable segment profit/(loss) before tax** | **268.6** | **239.7** | **22.9** | **19.2** | **37.5** | **34.0** | **52.1** | **58.3** | **8.5** | **(0.2)** | **389.6** | **351.0** |
| **Share of net results of equity accounted investments** | | | | | | | | | | | | |
| Operating results (excluding fair value adjustments) | 156.8 | 137.6 | 22.9 | 19.2 | 37.4 | 33.7 | 13.4 | 45.7 | 8.5 | (0.2) | 239.0 | 236.0 |
| Fair value adjustments – not included in reportable segment profit/(loss) | 102.5 | 64.5 | 60.7 | 49.7 | 19.1 | 0.4 | 1.5 | 0.2 | – | – | 183.8 | 114.8 |
| **Other material non-cash items not included in reportable segment profit/(loss) before tax** | | | | | | | | | | | | |
| Net gain/(loss) from fair value adjustments on investment properties | 390.4 | 35.9 | – | – | – | – | (8.6) | (12.1) | – | – | 381.8 | 23.8 |
| **Statement of financial position** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** |
| **Reportable segment assets** | **4,149.5** | **3,539.2** | **576.8** | **410.9** | **480.2** | **429.4** | **115.1** | **605.1** | **243.1** | **147.7** | **5,564.7** | **5,132.3** |
| **Included in reportable segments assets are:** | | | | | | | | | | | | |
| Investment properties | 2,094.6 | 1,725.7 | – | – | – | – | 32.1 | 224.7 | – | – | 2,126.7 | 1,950.4 |
| Investments accounted for using the equity method | 1,864.4 | 1,690.9 | 575.0 | 409.3 | 469.6 | 420.9 | 14.5 | 331.5 | 243.0 | 147.7 | 3,166.5 | 3,000.3 |
| **Reportable segment liabilities** | **124.2** | **125.2** | **–** | **–** | **(0.7)** | **0.1** | **9.7** | **3.4** | **0.1** | **–** | **133.3** | **128.7** |

## 3. Segment reporting continued

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

| | 2015 $M | 2014 $M |
|---|---|---|
| **Revenues** | | |
| Total revenue for reportable segments | 163.1 | 169.5 |
| **Consolidated revenues** | **163.1** | **169.5** |
| **Profit or loss** | | |
| Total profit before tax for reportable segments | 389.6 | 351.0 |
| Other non-cash items not included in reportable segment profit before tax | 558.4 | 133.4 |
| Unallocated amounts: other corporate expenses | (20.0) | (16.3) |
| Net finance (expense)/income – refer to note 7 | (1.6) | 13.3 |
| **Consolidated profit before income tax** | **926.4** | **481.4** |
| **Assets** | | |
| Assets for reportable segments | 5,564.7 | 5,132.3 |
| Unallocated amounts: loans to GL, GLHK and their controlled entities | 3,222.2 | 2,698.1 |
| Other unallocated amounts | 836.2 | 334.1 |
| **Consolidated total assets** | **9,623.1** | **8,164.5** |
| **Liabilities** | | |
| Liabilities for reportable segments | 133.3 | 128.7 |
| Unallocated amounts: interest bearing liabilities | 2,604.8 | 2,160.5 |
| Other unallocated amounts | 690.7 | 576.0 |
| **Consolidated total liabilities** | **3,428.8** | **2,865.2** |

## Operating assets and liabilities

## 4. Property assets

### (a) Types of property assets

The Consolidated Entity's investment in property assets includes both inventories and investment properties, which may be held either directly or through its investments in 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.

**Operating assets and liabilities continued**

## 4. Property assets continued

### (a) Types of property assets continued

**Stabilised investment properties**

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

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

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

| | | Consolidated | |
|---|---|---|---|
| | Note | 2015 $M | 2014 $M |
| **Inventories** | | | |
| Current | 4(d) | 9.0 | 4.2 |
| Non-current | 4(d) | 125.5 | 98.3 |
| | | **134.5** | **102.5** |
| **Investment properties** | | | |
| Stabilised investment properties | | 2,052.2 | 1,776.9 |
| Investment properties under development | | 74.5 | 173.5 |
| | 4(e) | **2,126.7** | **1,950.4** |
| **Investments accounted for using the equity method** | | | |
| Associates | 4(f)(i) | 2,495.0 | 2,459.3 |
| JVs | 4(f)(ii) | 671.5 | 541.0 |
| | | **3,166.5** | **3,000.3** |
| **Total property assets** | | **5,427.7** | **5,053.2** |

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

**Inventories**

For both inventories held directly and inventories held in 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 associates and JVs.

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

External valuations are undertaken only where market segments were observed to be active. 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.

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.

Operating assets and liabilities continued

## 4. Property assets continued

### (c) Estimates and assumptions in determining property carrying values continued

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

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

#### Market assessment

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

| | Total portfolio weighted average capitalisation rate | |
|---|---|---|
| Division | 2015 % | 2014 % |
| Australia | 7.3 | 7.7 |
| Hong Kong | 6.0 | 6.0 |
| Logistics – Continental Europe | 6.9 | 7.5 |
| Logistics – United Kingdom | 7.6 | 9.0 |

During the current financial year, the fair values of 94% (2014: 82%) of these stabilised investment properties held directly by the Consolidated Entity (by reference to carrying value) were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued.

For 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 8% to 16%.

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

### (d) Inventories

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| **Current** | | |
| Development land | 9.0 | 4.2 |
| | **9.0** | **4.2** |
| **Non-current** | | |
| Development land | 125.5 | 98.3 |
| | **125.5** | **98.3** |

During the year, impairments of $7.6 million (2014: $3.6 million) were recognised to write down development land to net realisable value.

### (e) Investment properties

#### Reconciliation carrying amount of directly held investment properties

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| Carrying amount at the beginning of the year | 1,950.4 | 2,108.8 |
| Capital expenditure | 37.2 | 41.9 |
| Disposals: | | |
| – Carrying value of properties sold | (46.8) | (13.8) |
| – On disposal of interests in controlled entities | (204.9) | (233.2) |
| Transfers to inventories | (1.6) | – |
| Net gain from fair value adjustments | 381.8 | 23.8 |
| Effect of foreign currency translation | 10.6 | 22.9 |
| **Carrying amount at the end of the year** | **2,126.7** | **1,950.4** |
| **Analysed by segment:** | | |
| Australia and New Zealand | 2,094.6 | 1,725.7 |
| United Kingdom | 32.1 | 224.7 |
| | **2,126.7** | **1,950.4** |

**Operating assets and liabilities continued**

**4. Property assets continued**

**(e) Investment properties continued**

**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(h) and 4(a)). The majority of the Consolidated Entity'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 the Consolidated Entity'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 input | 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 Group'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 $M | 2014 $M |
| **Non-cancellable operating lease commitments receivable:** | | |
| – Within one year | 107.8 | 121.8 |
| – One year or later and no later than five years | 275.8 | 294.2 |
| – Later than five years | 113.3 | 54.1 |
| | **496.9** | **470.1** |

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

Investments accounted for using the equity method comprise of associates and joint ventures, which are collectively referred to by the Consolidated Entity as partnerships.

**Associates**

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

**Joint ventures**

A 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 joint ventures 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.

**Operating assets and liabilities continued**

## 4. Property assets continued

### (f) Investments accounted for using the equity method continued

#### (i) Investments in associates

The Consolidated Entity's associates are set out below:

| | | Consolidated share of associate's 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 | – | 8.7 | – | – | – | – |
| Goodman Hong Kong Logistics Fund (GHKLF) | Cayman Islands | 83.6 | 68.8 | 20.0 | 20.0 | 575.0 | 409.4 |
| Goodman European Logistics Fund (GELF) | Luxembourg | 45.8 | 32.3 | 20.4 | 20.4 | 415.3 | 374.6 |
| Arlington Business Parks Partnership (ABPP)[2] | United Kingdom | 13.4 | 45.1 | – | 36.3 | – | 319.0 |
| | | **359.9** | **322.7** | | | **2,495.0** | **2,459.3** |

1. During the prior financial year, the Consolidated Entity disposed of its entire investment in GMT to a controlled entity of GL.
2. During the current financial year, the Consolidated Entity disposed of a controlled entity that held its entire investment in ABPP to a controlled entity of GL (refer to note 17).

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

| | Consolidated | |
|---|---|---|
| **Movement in carrying amount of investments in associates** | **2015 $M** | **2014 $M** |
| Carrying amount at the beginning of the year | 2,459.3 | 2,518.8 |
| Share of net results after tax (before revaluations) | 204.6 | 213.7 |
| Share of fair value adjustments on investment properties | 145.9 | 116.0 |
| Share of fair value adjustments on derivative financial instruments | 9.4 | (7.0) |
| Share of net results | 359.9 | 322.7 |
| Share of movement in reserves | 0.4 | 0.3 |
| Transfer to investments in JVs | – | (47.8) |
| Acquisitions | 53.2 | 184.7 |
| Disposals: | | |
| – Carrying value of investments sold | – | (419.7) |
| – On disposal of interests in controlled entities | (321.7) | – |
| Distributions received | (164.6) | (143.3) |
| Effect of foreign currency translation | 108.5 | 43.6 |
| **Carrying amount at the end of the year** | **2,495.0** | **2,459.3** |

**Operating assets and liabilities continued**

## 4. Property assets continued

### (f) Investments accounted for using the equity method continued

### (i) Investments in associates continued

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

| | GAIF | | GTA | | GHKLF | | GELF | | ABPP[1] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M | 2015 $M | 2014 $M |
| **Summarised statement of financial position** | | | | | | | | | | |
| Total current assets | 436.3 | 46.3 | 380.3 | 39.1 | 46.0 | 161.7 | 348.5 | 134.4 | – | 328.3 |
| Total non-current assets | 5,534.1 | 5,607.3 | 3,231.7 | 3,322.3 | 3,813.9 | 2,695.0 | 3,202.1 | 3,064.8 | – | 1,276.2 |
| Total current liabilities | 528.1 | 154.7 | 238.0 | 237.4 | 85.1 | 66.0 | 117.1 | 124.4 | – | 410.8 |
| Total non-current liabilities | 1,788.7 | 2,140.8 | 1,129.0 | 1,202.1 | 905.8 | 748.5 | 1,399.2 | 1,240.0 | – | 315.0 |
| **Net assets (100%)** | **3,653.6** | **3,358.1** | **2,245.0** | **1,921.9** | **2,869.0** | **2,042.2** | **2,034.3** | **1,834.8** | **–** | **878.7** |
| Consolidated ownership interest | 27.5% | 27.5% | 19.9% | 19.9% | 20.0% | 20.0% | 20.4% | 20.4% | – | 36.3% |
| Consolidated share of net assets | 1,005.8 | 924.5 | 447.0 | 382.5 | 573.8 | 408.4 | 414.3 | 373.6 | – | 319.0 |
| Capitalised costs | 2.8 | 2.7 | – | – | 1.2 | 1.0 | 1.0 | 1.0 | – | – |
| Distributions receivable[2] | 16.7 | 16.7 | 32.2 | 29.9 | – | – | – | – | – | – |
| **Carrying amount of investment in associate** | **1,025.3** | **943.9** | **479.2** | **412.4** | **575.0** | **409.4** | **415.3** | **374.6** | **–** | **319.0** |
| **Summarised statement of comprehensive income** | | | | | | | | | | |
| Revenue | 473.6 | 468.6 | 321.8 | 284.6 | 200.0 | 166.6 | 226.0 | 202.0 | 44.9 | 149.5 |
| Profit after tax and revaluations | 538.7 | 413.9 | 345.3 | 269.5 | 417.8 | 379.2 | 221.1 | 144.0 | 37.0 | 115.9 |
| Other comprehensive income | 0.5 | – | (0.4) | 3.4 | – | – | – | – | – | – |
| Total comprehensive income (100%) | 539.2 | 413.9 | 344.9 | 272.9 | 417.8 | 379.2 | 221.1 | 144.0 | 37.0 | 115.9 |
| Distributions received | 67.0 | 63.8 | 30.1 | 27.1 | 15.6 | 17.9 | 28.6 | 32.6 | 23.3 | – |

1. The summarised statement of comprehensive income of ABPP is for the period from the start of the financial year to the date the Consolidated Entity disposed of its entire investment in ABPP.
2. Distributions receivable relate to distributions provided for but not paid by the associate 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.

### (ii) Investments in JVs

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

| | | Consolidated share of net results recognised | | Consolidated ownership interest | | Consolidated investment carrying amount | |
|---|---|---|---|---|---|---|---|
| Name of JV | Country of establishment | 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 | 195.1 | 185.0 |
| Goodman Australia Development Fund (GADF) | Australia | 17.8 | 8.7 | 20.0 | 20.0 | 73.3 | 59.0 |
| **Property development** | | | | | | | |
| Goodman North America Partnership (GNAP) | USA | 8.5 | (0.2) | 53.0 | 53.0 | 243.0 | 147.6 |
| Other JVs | | 12.1 | 2.5 | | | 160.1 | 149.4 |
| | | **62.9** | **28.1** | | | **671.5** | **541.0** |

Operating assets and liabilities continued

## 4. Property assets continued

### (f) Investments accounted for using the equity method continued

#### (ii) Investments in JVs continued

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

| | Consolidated | |
|---|---|---|
| **Movement in carrying amounts of JVs** | **2015 $M** | **2014 $M** |
| Carrying amount at the beginning of the year | 541.0 | 365.7 |
| Share of net results after tax (before revaluations) | 34.4 | 22.3 |
| Share of fair value adjustments on investment properties | 29.0 | 8.1 |
| Share of fair value adjustments on derivative financial instruments | (0.5) | (2.3) |
| Share of net results | 62.9 | 28.1 |
| Impairment | – | (0.1) |
| Transfer from investments in associates | – | 47.8 |
| Acquisitions | 92.2 | 123.7 |
| Capital return | (0.4) | (2.5) |
| Distributions/dividends received | (63.4) | (20.7) |
| Effect of foreign currency translation | 39.2 | (1.0) |
| **Carrying amount at the end of the year** | **671.5** | **541.0** |

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

| | KGIT | | GADF | | GNAP | |
|---|---|---|---|---|---|---|
| | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** | **2015 $M** | **2014 $M** |
| **Summarised statement of financial position** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 1.1 | 4.4 | 1.0 | 0.7 | 38.0 | 16.3 |
| Other current assets | 1.8 | 3.4 | 80.8 | 1.6 | 27.2 | 20.2 |
| **Total current assets** | **2.9** | **7.8** | **81.8** | **2.3** | **65.2** | **36.5** |
| **Total non-current assets** | **793.2** | **764.9** | **349.6** | **368.4** | **406.8** | **248.5** |
| **Current liabilities** | **6.1** | **12.3** | **15.5** | **4.5** | **21.6** | **13.1** |
| **Non-current liabilities** | | | | | | |
| Financial liabilities | 298.4 | 297.0 | 61.9 | 82.7 | 0.5 | – |
| Other non-current liabilities | 4.1 | 1.3 | – | 0.2 | – | 0.3 |
| **Total non-current liabilities** | **302.5** | **298.3** | **61.9** | **82.9** | **0.5** | **0.3** |
| **Net assets (100%)** | **487.5** | **462.1** | **354.0** | **283.3** | **449.9** | **271.6** |
| Consolidated ownership interest | 40.0% | 40.0% | 20.0% | 20.0% | 53.0% | 53.0% |
| Consolidated share of net assets | 195.0 | 184.8 | 70.8 | 56.7 | 238.4 | 143.9 |
| Capitalised costs | 0.1 | 0.2 | 1.6 | 1.6 | 4.6 | 3.7 |
| Distributions receivable[1] | – | – | 0.9 | 0.7 | – | – |
| **Carrying amount of investment in JV** | **195.1** | **185.0** | **73.3** | **59.0** | **243.0** | **147.6** |
| **Summarised statement of comprehensive income** | | | | | | |
| Revenue | 71.6 | 68.5 | 17.7 | 22.4 | 0.7 | – |
| Interest income | 0.1 | 0.1 | 0.1 | – | – | – |
| Interest expense | (12.5) | (13.5) | (3.8) | (3.7) | (0.1) | – |
| Profit/(loss) after tax | 61.2 | 42.7 | 89.0 | 43.5 | 16.0 | (0.4) |
| **Total comprehensive income (100%)** | **61.2** | **42.7** | **89.0** | **43.5** | **16.0** | **(0.4)** |
| **Distributions received** | **14.4** | **13.9** | **13.8** | **3.0** | **29.8** | **–** |

1. Distributions receivable relate to distributions provided for but not paid by the JV 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 the Consolidated Entity's other JVs not included in the table above, the total profit after tax and revaluations is $57.8 million (2014: loss of $3.6 million) and other comprehensive income is $nil (2014: $nil).

### Operating assets and liabilities continued

## 5. Receivables

Receivables comprise loans to related parties and trade and other receivables 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 is 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<br>$M | 2014<br>$M |
| **Current** | | |
| Loans to related parties | 3,222.2 | 2,698.1 |
| Trade receivables | 3.8 | 1.6 |
| Other receivables | 98.6 | 25.4 |
| Amounts due from related parties | 2.1 | 1.6 |
| | **3,326.7** | **2,726.7** |
| **Non-current** | | |
| Loans to related parties | 10.9 | 6.8 |
| Other receivables | 1.1 | 32.8 |
| | **12.0** | **39.6** |

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 9). 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.

The maximum exposure to credit risk at the balance date is the fair value of each class of receivable mentioned above. There is no material difference between the carrying values and the fair values of all current and non-current receivables.

Receivables (current and non-current) denominated in currencies other than Australian dollars are as follows:

| Amounts in A$M | NZD | JPY | EUR | GBP | USD |
|---|---|---|---|---|---|
| 2015 | 333.9 | 92.5 | 185.1 | 2,219.1 | 545.5 |
| 2014 | 275.9 | 225.9 | 130.7 | 1,650.9 | 528.5 |

### Loans to related parties

The Consolidated Entity's loans to related parties principally relate to loans to GL, GLHK and their controlled entities and loans to associates and JVs. The interest rates on loans to related parties were 1.1% to 10.1% per annum (2014: 1.2% to 10.4% per annum). During the current financial year, no impairment losses were recognised in respect of loans to GL, GLHK and their controlled entities and the cumulative impairment losses on these loans remain at $246.2 million (2014: $246.2 million). These impairment losses were a result of the devaluation of property assets. Further details of loans to related parties are set out in note 18.

## Operating assets and liabilities continued

### 6. Payables

Trade and other payables are recognised initially on the trade date at 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 $M | 2014 $M |
| **Current** | | |
| Trade payables | 1.0 | 1.7 |
| Other payables and accruals | 126.3 | 91.3 |
| Rental income received in advance | 2.3 | 1.6 |
| Loans from related parties[1] | 18.8 | 23.8 |
| | **148.4** | **118.4** |
| **Non-current** | | |
| Other payables and accruals | 82.7 | 102.1 |
| | **82.7** | **102.1** |

1. Details of loans from related parties are set out in note 18.
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 9). 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

### 7. Net finance (expense)/income

#### Loan facilities

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

#### Finance income

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

#### Finance costs

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

### Capital management continued

### 7. Net finance (expense)/income continued

| | Consolidated 2015 $M | Consolidated 2014 $M |
|---|---|---|
| **Finance income** | | |
| Interest income from: | | |
| – Related parties | 209.9 | 180.1 |
| – Other parties | 2.7 | 4.5 |
| Fair value adjustments on derivative financial instruments[1] | 53.6 | – |
| Foreign exchange gain[2] | – | 14.3 |
| | **266.2** | **198.9** |
| **Finance expense** | | |
| Interest expense from third party loans, overdrafts and derivatives | (115.0) | (104.6) |
| Other borrowing costs | (14.3) | (19.8) |
| Fair value adjustments on derivative financial instruments[1] | – | (81.0) |
| Foreign exchange loss[2] | (160.0) | – |
| Capitalised borrowing costs | 21.5 | 19.8 |
| | **(267.8)** | **(185.6)** |
| **Net finance (expense)/income** | **(1.6)** | **13.3** |

1. These amounts include fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted.
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 8(c)) and the Japanese yen denominated private placement (refer to note 8(d)).

### 8. Interest bearing liabilities

#### (a) Bank loans, unsecured

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.

| | Note | Consolidated 2015 $M | Consolidated 2014 $M |
|---|---|---|---|
| Bank loans, unsecured | 8(a) | 227.0 | 155.4 |
| Euro medium-term notes, unsecured | 8(b) | 509.9 | 453.6 |
| United States senior notes, unsecured | 8(c) | 1,719.0 | 1,406.0 |
| Foreign private placements, unsecured | 8(d) | 171.9 | 170.2 |
| Borrowing costs | | (23.0) | (24.7) |
| | | **2,604.8** | **2,160.5** |

| Facility | Facility maturity date | Facility limit – A$M equivalent | Amounts drawn down in A$M equivalents NZD |
|---|---|---|---|
| Bank loan 1 | 31 Jul 2018 | 150.0 | – |
| Bank loan 2 | 31 Jul 2018 | 149.4 | 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 |
| Bank loan 7 | 31 Aug 2018 | 104.0 | – |
| Bank loan 8 | 31 Aug 2018 | 43.9 | 43.9 |
| Bank loan 9 | 31 Dec 2018 | 159.0 | – |
| Bank loan 10 | 30 Sep 2019 | 37.5 | – |
| Bank loan 11 | 30 Sep 2019 | 48.7 | – |
| **Total bank loans, unsecured** | **at 30 Jun 2015** | **1,177.8** | **227.0** |
| | at 30 Jun 2014 | 1,296.7 | 155.4 |

Capital management continued

## 8. Interest bearing liabilities continued

### (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.

### (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 | 1,177.8 | 227.0 |
| 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 |
| | **3,578.6** | **2,657.9** |
| **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 relate to the Consolidated Entity's unsecured bank facilities.

### Capital management continued

## 9. Other financial assets and liabilities

### 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 the 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 $M | 2014 $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 | 10.5 | 8.2 |
| | **244.5** | **111.4** |

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 8(c)).
2. In relation to the comparative period, derivative financial instruments of $103.3 milion have been reclassified from receivables to other financial assets (refer to note 5). 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 $M | 2014 $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 8(c)) and the Japanese yen denominated private placement (refer to note 8(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 6). 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 continued

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

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

Under the FRM policy, the Consolidated Entity's derivative financial instruments are not 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, 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 DRP, adjusting the timing of capital expenditure and selling assets to reduce borrowings. Goodman Group 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 Group monitors capital on the basis of both the gearing ratio and the weighted average cost of debt. Gearing is reviewed on a Goodman Group basis and the gearing ratio for Goodman Group is calculated as the total interest bearing liabilities less cash as a percentage of the total assets excluding cash.

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

### (a) Market risk

#### Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in New Zealand, Hong Kong, Continental Europe, the United Kingdom and North America. Foreign exchange risk represents the loss that would be recognised from fluctuations in currency prices against the Australian dollar as a result of 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.

Goodman Group's capital hedge policy for each overseas region is to hedge between 70% and 95% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the 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).

### Capital management continued

### 10. Financial risk management continued

#### (a) Market risk continued

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 years | – | – | – | (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 years | – | – | – | (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** | **Amounts receivable** | **Weighted average exchange rate** | **Amounts payable** | **Amounts receivable** | **Weighted average exchange rate** |
|---|---|---|---|---|---|---|
| **AUD payable** | **A$M** | **GBP/M** | **AUD/GBP** | **A$M** | **GBP'M** | **GBP/AUD** |
| Less than one year | (171.1) | 85.0 | 0.4969 | – | – | – |
| 2 – 5 years | (103.2) | 50.0 | 0.4843 | – | – | – |
| | **(274.3)** | **135.0** | | **–** | **–** | **–** |

### Capital management continued

## 10. Financial risk management continued

### (a) Market risk continued

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

| | 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 Expiry by currency** | **Amounts payable** | **Amounts receivable** | **Weighted average exchange rate** | **Amounts payable** | **Amounts receivable** | **Weighted average exchange rate** |
|---|---|---|---|---|---|---|
| **GBP payable** | **GBP'M** | **JPY'M** | **JPY/GBP** | **GBP'M** | **JPY'M** | **JPY/GBP** |
| 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$4.5 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$4.5 million (2014: A$12.2 million increase).

#### Interest rate risk

The Consolidated Entity's interest rate risk arises from variable rate borrowings and also fixed rate to floating rate CCIRS that hedge the currency risk associated with the USD denominated notes and JPY denominated private placement. 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.

### Capital management continued

### 10. Financial risk management continued

#### (a) Market risk continued

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 | 266.1 | 1,164.8 | (762.8) | 668.1 |
| | **2,627.8** | **182.0** | **–** | **2,809.8** |
| **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 at the end of the financial year 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$6.7 million lower/higher (2014: A$1.4 million).

### Price risk

The Consolidated Entity is not exposed to price risk.

#### (b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity 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 Group's treasury function is responsible for reporting details of all debt maturities to the Board at its regular meetings. Goodman Group'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 continued**

## 10. Financial risk management continued

**(b) Liquidity risk continued**

The contractual maturities of financial liabilities are set out below:

| | Carrying amount $M | Contractual cash flows $M | Less than 1 year $M | 1–2 years $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 | 231.1 | 232.0 | 148.4 | 48.0 | 16.2 | 1.9 | 7.5 | 10.0 |
| Bank loans, unsecured[1] | 227.0 | 230.3 | – | – | – | 230.0 | 0.3 | – |
| 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** | **2,858.9** | **3,811.8** | **393.2** | **211.8** | **180.0** | **859.1** | **122.0** | **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 | 220.5 | 207.5 | 118.4 | 38.3 | 11.2 | 20.0 | 2.0 | 17.6 |
| Bank loans, unsecured[1] | 155.4 | 160.6 | – | 0.3 | – | – | 160.3 | – |
| Euro medium-term notes, unsecured | 453.6 | 677.1 | 86.8 | 44.5 | 44.4 | 44.4 | 457.0 | – |
| United States senior notes, unsecured | 1,406.0 | 2,073.3 | 114.9 | 89.1 | 88.9 | 88.9 | 88.9 | 1,602.6 |
| Foreign private placements, unsecured | 170.2 | 220.1 | 6.5 | 5.4 | 5.3 | 5.3 | 5.3 | 192.3 |
| **Total non-derivative financial liabilities** | **2,405.7** | **3,338.6** | **326.6** | **177.6** | **149.8** | **158.6** | **713.5** | **1,812.5** |
| **Derivative financial liabilities/(assets) – net** | | | | | | | | |
| Net settled[2] | 46.0 | 47.6 | 20.2 | 11.4 | 6.9 | 4.6 | 1.4 | 3.1 |
| Gross settled:[3] | | | | | | | | |
| (Inflow) | – | (600.5) | (108.2) | (110.4) | (110.2) | (94.2) | (62.7) | (114.8) |
| Outflow | 154.5 | 748.8 | 56.8 | 93.4 | 77.8 | 204.6 | 126.4 | 189.8 |
| **Total derivative financial (assets)/liabilities – 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 relates to IRS and forward foreign currency contracts.
3. Gross settled relates to CCIRS.

**Capital management continued**

## 10. Financial risk management continued

### (c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount (refer to note 5).

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

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short-term borrowings. Concentration of credit risk exists from time to time on receivables for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is 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 partnerships. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the 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 10(d) below).

### (d) 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.

### (e) Fair value 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 | 13(a) | 602.4 | 602.4 | 227.9 | 227.9 |
| Receivables: | 5 | | | | |
| – Loans to related parties | | 3,233.1 | 3,233.1 | 2,704.9 | 2,704.9 |
| – Trade and other receivables | | 105.6 | 105.6 | 61.4 | 61.4 |
| Other financial assets: | 9 | | | | |
| – 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 | | 10.5 | 10.5 | 8.2 | 8.2 |
| | | **4,190.0** | **4,190.0** | **3,105.7** | **3,105.7** |
| **Financial liabilities** | | | | | |
| Payables | 6 | 231.1 | 231.1 | 220.5 | 220.5 |
| Interest bearing liabilities[1] | 8 | 2,604.8 | 2,974.8 | 2,160.5 | 2,522.1 |
| Other financial liabilities: | 9 | | | | |
| – Interest rate swaps | | 71.7 | 71.7 | 74.7 | 74.7 |
| – CCIRS | | 326.1 | 326.1 | 229.1 | 229.1 |
| | | **3,233.7** | **3,603.7** | **2,684.8** | **3,046.4** |

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 8).

**Capital management continued**

## 10. Financial risk management continued

### (f) Fair value hierarchy

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

| | Level 1 $M | Level 2 $M | Level 3 $M | Total $M |
|---|---|---|---|---|
| **As at 30 June 2015** | | | | |
| Available for sale financial assets | – | – | 10.5 | 10.5 |
| Derivative financial assets | – | 238.4 | – | 238.4 |
| | **–** | **238.4** | **10.5** | **248.9** |
| Derivative financial liabilities | – | 397.8 | – | 397.8 |
| | **–** | **397.8** | **–** | **397.8** |
| **As at 30 June 2014** | | | | |
| Available for sale financial assets | – | – | 8.2 | 8.2 |
| Derivative financial assets | – | 103.3 | – | 103.3 |
| | **–** | **103.3** | **8.2** | **111.5** |
| Derivative financial liabilities | – | 303.8 | – | 303.8 |
| | **–** | **303.8** | **–** | **303.8** |

There were no transfers between the levels during the year.

### 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.

## 11. Provision for distributions

### Distribution payable

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

### 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 | 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** |

The Goodman Group DRP was active for the 30 June 2014 and 31 December 2014 distribution. As a consequence, $89.4 million of the distribution paid during the year was issued in the form of Goodman Group stapled securities. The Goodman Group DRP is active for the 30 June 2015 distribution.

### Capital management continued

### 12. Issued capital

#### Ordinary units

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

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| 1,753,035,922 (2014: 1,727,685,976) fully paid units on issue | 7,279.9 | 7,173.6 |
| Less: Issue costs[1] | (148.5) | (148.4) |
| | **7,131.4** | **7,025.2** |

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

#### Terms and conditions

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

| | Units |
|---|---|
| **Units on issue at 1 July 2013** | 1,713,233,947 |
| Issued under the Goodman Group Long Term Incentive Plan | 5,465,002 |
| Issued under the Goodman Group Tax Exempt Plan | 43,860 |
| Issued under the Goodman Group DRP | 8,943,167 |
| **Units on issue at 30 June 2014** | **1,727,685,976** |
| **Units on issue at 1 July 2014** | 1,727,685,976 |
| Issued under the Goodman Group Long Term Incentive Plan | 8,843,233 |
| Issued under the Goodman Group Tax Exempt Plan | 42,336 |
| Issued under the Goodman Group DRP | 16,464,377 |
| **Units on issue at 30 June 2015** | **1,753,035,922** |

### Other items

### 13. 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** | **602.4** | **227.9** |

Other items continued

## 13. Notes to the cash flow statement continued

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

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| **Profit for the year** | **924.5** | **475.4** |
| **Items classified as investing activities** | | |
| Net gain on disposal of investment properties | (6.7) | (0.8) |
| Net gain on disposal of controlled entities | (32.1) | – |
| Net loss on disposal of equity investments | – | 1.2 |
| **Non-cash items** | | |
| Net gain from fair value adjustments on investment properties | (381.8) | (23.8) |
| Impairment losses | 7.6 | 4.5 |
| Share of net results of equity accounted investments | (422.8) | (350.8) |
| Net finance expense/(income) | 1.6 | (13.3) |
| Income tax expense | 1.9 | 6.0 |
| **Operating profit before changes in working capital and provisions** | **92.2** | **98.4** |
| Changes in assets and liabilities during the year: | | |
| – Increase in receivables | (43.8) | (23.8) |
| – Increase in inventories | (37.0) | (13.0) |
| – Decrease in other assets | 4.9 | 9.1 |
| – Increase in payables | 1.7 | 1.9 |
| – Increase in provisions | – | 12.8 |
| | **18.0** | **85.4** |
| Dividends/distributions received from equity accounted investments | 227.9 | 149.8 |
| Net finance costs paid | (102.6) | (100.0) |
| Net income taxes paid | (3.6) | (0.6) |
| **Net cash provided by operating activities** | **139.7** | **134.6** |

### (c) Non-cash transactions

Distribution reinvestment plan

In the current financial year:

+ the Goodman Group DRP was active for the August 2014 and February 2015 distribution. In relation to these distributions, $89.4 million was in the form of stapled securities in Goodman Group; and
+ the Consolidated Entity received its distributions of $31.7 million from GTA and GADF in the form of units in the respective fund.

In the prior financial year, the Consolidated Entity received its distributions of $16.1 million from GTA, GMT and GADF in the form of units in the respective fund.

**Other items continued**

## 14. Reserves

| | | Consolidated | |
|---|---|---|---|
| | Note | 2015 $M | 2014 $M |
| Asset revaluation reserve | 14(a) | 170.5 | (950.6) |
| Cash flow hedge reserve | 14(b) | (5.0) | (9.7) |
| Foreign currency translation reserve | 14(c) | 21.8 | (251.1) |
| Employee compensation reserve | 14(d) | 64.7 | 57.0 |
| **Total reserves** | | **252.0** | **(1,154.4)** |

| | 2015 $M | 2014 $M |
|---|---|---|
| **(a) Asset revaluation reserve** | | |
| Balance at the beginning of the year | (950.6) | (1,030.9) |
| Increase due to revaluation of other financial assets | 2.1 | 1.6 |
| Transfers to accumulated losses | 1,132.6 | 138.4 |
| Effect of foreign currency translation | (13.6) | (59.7) |
| **Balance at the end of the year** | **170.5** | **(950.6)** |
| **(b) Cash flow hedge reserve** | | |
| Balance at the beginning of the year | (9.7) | (12.7) |
| Change in value of financial instruments | 0.8 | 0.8 |
| Transfers to other comprehensive income | 4.1 | 2.4 |
| Effect of foreign currency translation | (0.2) | (0.2) |
| **Balance at the end of the year** | **(5.0)** | **(9.7)** |
| **(c) Foreign currency translation reserve** | | |
| Balance at the beginning of the year | (251.1) | (497.0) |
| Net exchange differences on conversion of foreign operations | 272.9 | 245.9 |
| **Balance at the end of the year** | **21.8** | **(251.1)** |
| **(d) Employee compensation reserve** | | |
| Balance at the beginning of the year | 57.0 | 49.0 |
| Equity settled share based payments transaction relating to Goodman Group | 7.7 | 8.0 |
| **Balance at the end of the year** | **64.7** | **57.0** |
| **Total reserves** | **252.0** | **(1,154.4)** |

## 15. Accumulated losses

| | Consolidated | |
|---|---|---|
| | 2015 $M | 2014 $M |
| Balance at the beginning of the year | (897.3) | (856.2) |
| Profit attributable to Unitholders | 903.3 | 454.0 |
| Transfers from asset revaluation reserve | (1,132.6) | (138.4) |
| Distributions declared | (388.3) | (356.7) |
| **Balance at the end of the year** | **(1,514.9)** | **(897.3)** |

## Other items continued

### 16. Non-controlling interests

Goodman PLUS Trust, a controlled entity of GIT, has 3,269,665 hybrid securities on issue at a face value of $100 each. The hybrid securities are preferred, perpetual non-call securities which are listed on the ASX. Goodman 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 $M | 2014 $M |
| Balance at the beginning of the year | 325.8 | 331.5 |
| Profit attributable to non-controlling interests | 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 Goodman PLUS 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 continued

## 17. Controlled entities

Controlled entities are entities controlled by the Trust. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Parent Entity as at 30 June 2015 and the results of all such entities for the year ended 30 June 2015.

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

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 GIT are set out below:

| Significant controlled entities | Country of incorporation/establishment |
|---|---|
| BDE Unit Trust | Australia |
| 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 Hong Kong Investment Trust | Australia |
| Goodman PLUS Trust | Australia |
| Goodman Treasury Trust | Australia |
| Goodman Ultimo Trust | Australia |
| Homebush Subtrust | Australia |
| IBC Trust | Australia |
| MGA Industrial Portfolio Trust | Australia |
| MIP Trust | Australia |
| MGI HK Finance | Cayman Islands |
| ABPP Investment Jersey Limited | Jersey |
| Goodman Finance (Jersey) Limited | Jersey |
| Goodman Finance (Lux) Sàrl | Luxembourg |
| Goodman Finance Two (Lux) Sàrl | Luxembourg |
| Goodman Finance NZ Limited | New Zealand |
| Tarpon Properties REIT Inc | United States |

### Disposal of interests in controlled entities

During the year, the Consolidated Entity disposed of its entire interest in ABPP Investment Jersey Limited, which in turn, held the Consolidated Entity's entire interest in ABPP, to GL for a nominal consideration which reflects its fair value. In addition, the Consolidated Entity disposed of its entire interest in five controlled entities to a third party for a net consideration of $225.1 million. The effect of the disposal on the statement of financial position of the Consolidated Entity is as follows:

| | $M |
|---|---|
| Total assets | 527.1 |
| Total liabilities | (334.1) |
| **Net assets disposed, at fair value** | **193.0** |
| **Net consideration** | **225.1** |

In the prior year, the Consolidated Entity disposed of its entire interest in Moorabbin Airport Corporation Pty Limited to GL for a consideration of $211.8 million.

Other items continued

## 18. Related party disclosures

### Key management personnel disclosures

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

### Transactions with Responsible Entity

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

| | Consolidated | |
|---|---|---|
| | 2015 $ | 2014 $ |
| **Reimbursement of expenses** | **10,422,084** | **10,654,813** |

As at 30 June 2015, no amounts were owed to the Responsible Entity (2014: $nil).

### Goodman Group

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

| | Consolidated | |
|---|---|---|
| | 2015 $ | 2014 $ |
| Property services fees (including property management and leasing) | 3,612,329 | 4,060,773 |
| Development management and project fees | 3,061,128 | 3,023,294 |
| Building supervisor costs reimbursed | 1,035,983 | 1,070,273 |
| Reimbursement of expenses | 9,190,858 | 6,189,012 |
| | **16,900,298** | **14,343,352** |

In addition to the above, interest bearing loans exist between the Consolidated Entity and other Goodman Group entities. At 30 June 2015, interest bearing loans of $3,456.9 million (2014: $2,901.3 million) were receivable by the Consolidated Entity from other Goodman Group entities and $16.6 million (2014: $15.8 million) were payable by the Consolidated Entity to other Goodman Group entities. Loans to related Goodman Group entities bear interest at rates referenced to the Consolidated Entity's external funding arrangements.

### Transactions with associates and JVs

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

| | Revenue from disposals of assets | | Interest charged on loans | |
|---|---|---|---|---|
| | 2015 $M | 2014 $M | 2015 $M | 2014 $M |
| **Associates** | 44.0 | – | – | – |
| **JVs** | – | – | 0.4 | 0.6 |

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

| | Amounts due from related parties[1] | | Loans provided by Consolidated Entity[2] | |
|---|---|---|---|---|
| | 2015 $M | 2014 $M | 2015 $M | 2014 $M |
| **Associates** | 2.1 | 1.6 | – | – |
| **JVs** | – | – | 10.9 | 6.8 |

1. Amounts due from related parties were receivable within 30 days.
2. Loans provided to associates and JVs have generally been provided on an arm's length basis. At 30 June 2015, the principal loan balance related to a shareholder loan provided to GGGAIF Huntingwood East which incurred interest at 5.1% per annum.

### Other items continued

## 19. Commitments

### Investment properties

At 30 June 2015, capital expenditure commitments on the Consolidated Entity's existing investment property portfolio are $25.6 million (2014: $4.7 million).

### Partnerships

At 30 June 2015, the Consolidated Entity had an equity commitment of $97.6 million (2014: $123.2 million) into GELF.

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

## 20. Auditors' remuneration

| | Consolidated | |
|---|---|---|
| | 2015 $000 | 2014 $000 |
| **Audit services** | | |
| Auditor of GIT: | | |
| – Audit and review of financial reports (KPMG Australia) | 477.4 | 395.7 |
| – Audit and review of financial reports (overseas KPMG firms) | 150.6 | 141.1 |
| | **628.0** | **536.8** |
| **Other regulatory services** | | |
| – Other regulatory services (KPMG Australia) | 72.4 | 42.7 |
| – Other regulatory services (overseas KPMG firms) | – | 3.3 |
| **Other assurance services** | | |
| – Property advisory services (KPMG Australia) | 8.9 | – |
| **Taxation services** | | |
| – Taxation compliance services (KPMG Australia) | – | 2.4 |
| – Taxation compliance services (overseas KPMG firms) | 31.0 | 11.5 |
| – Other taxation advice (overseas KPMG firms) | 16.9 | – |
| | **129.2** | **59.9** |
| **Total paid/payable to KPMG** | **757.2** | **596.7** |
| **Other auditors** | | |
| – Audit and review of financial reports (non-KPMG firms) | – | – |

## 21. Parent Entity disclosures

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

| | 2015 $M | 2014 $M |
|---|---|---|
| **Result of the Parent Entity** | | |
| Profit for the year | 12.7 | 293.2 |
| Other comprehensive income | 91.6 | 24.1 |
| **Total comprehensive income for the year** | **104.3** | **317.3** |
| **Financial position of the Parent Entity at year end** | | |
| Current assets | 1,507.3 | 1,829.9 |
| Total assets | 4,729.2 | 4,877.1 |
| Current liabilities | 181.8 | 166.0 |
| Total liabilities | 181.8 | 166.0 |
| **Total equity of the Parent Entity comprising of:** | | |
| Issued capital | 7,131.4 | 7,025.2 |
| Reserves | (196.5) | (283.6) |
| Accumulated losses | (2,387.5) | (2,030.5) |
| **Total equity** | **4,547.4** | **4,711.1** |

### Parent Entity capital commitments

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

## 21. Parent Entity disclosures continued

### Parent Entity contingencies

### Capitalisation Deed Poll

GIT, GL, GLHK and certain of their wholly-owned controlled entities are investors under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor. As at 30 June 2015, the Consolidated Entity had A$227.0 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 8(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 Funds Management Limited, as responsible entity of GIT, and GL and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

### United States senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 8(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 Funds Management Limited, as responsible entity of GIT, and GL and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of the notes.

### Goodman PLUS guarantee

Goodman Funds Management Limited, as responsible entity of GIT and GL and GLHK guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS (refer to note 16) under the terms of issue and subscription terms for those securities.

### Stapling agreement with GL and GLHK

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

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

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

## 22 Events subsequent to balance date

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

# DIRECTORS' DECLARATION

GOODMAN INDUSTRIAL TRUST AND ITS CONTROLLED ENTITIES

In the opinion of the directors of Goodman Funds Management Limited, the responsible entity for Goodman Industrial Trust (Trust):

(a) the consolidated financial statements and the notes that are set out on pages 106 to 141, 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 Trust will be able to pay its debts as and when they become due and payable.

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

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

Signed in accordance with a resolution of the directors of the Responsible Entity.

**Ian Ferrier, AM**
Independent Chairman
Sydney, 13 August 2015

**Gregory Goodman**
Group Chief Executive Officer

KPMG

## Independent auditor's report to the unitholder of Goodman Industrial Trust

We have audited the accompanying financial report of Goodman Industrial Trust (the Trust), which comprises the consolidated statement of financial position as at 30 June 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 22 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

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

### Auditor's responsibility

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

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

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

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

### Independence

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

### Auditor's opinion

In our opinion:

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

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 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.

KPMG

**KPMG**

**John Teer**
Partner
Sydney, 13 August 2015

**Eileen Hoggett**
Partner
Sydney, 13 August 2015

## Contents

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

### Incorporation and principal place of business

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

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

### Principal activities

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

### Financial statements

The financial performance of the Consolidated Entity for the year ended 30 June 2015 and the Consolidated Entity's financial position at that date are set out in the financial report on pages 149 to 176.

No dividends were declared during the year.

### Share capital

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

### Directors

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

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

### Business review

#### Goodman Group's strategy

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

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

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

### Performance review

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

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

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

## Performance review continued

### Investment activities

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

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

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

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

### Development activities

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

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

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

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

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

### Management activities

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

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

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

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

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

### Statement of financial position

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

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

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

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

## Performance review continued

### Cash flow

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

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

### Outlook

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

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

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

### Risks

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

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

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

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

### Environmental regulations

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

### Directors' interests in contracts

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

### Directors' interest in shares

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

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

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

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

| Executive Directors | Number of performance rights at the start of the year | Number of performance rights granted during the year | Number of performance rights vested during the year | Number of performance rights forfeited during the year | Number of performance rights at the end of the year | Date performance rights granted | Financial years in which grant vests |
|---|---|---|---|---|---|---|---|
| Mr Gregory Leith Goodman | – | 995,476 | – | – | 995,476 | 20 Nov 2014 | 2018 – 2020 |
| | 947,368 | – | – | – | 947,368 | 22 Nov 2013 | 2017 – 2019 |
| | 927,152 | – | – | – | 927,152 | 16 Nov 2012 | 2016 – 2018 |
| | 980,000 | – | (325,034) | (4,899) | 650,067 | 25 Nov 2011 | 2015 – 2017 |
| | 487,180 | – | (243,590) | – | 243,590 | 1 Feb 2011 | 2014 – 2016 |
| | 260,000 | – | (260,000) | – | – | 14 May 2010 | 2013 – 2015 |
| Mr Philip John Pearce | – | 497,738 | – | – | 497,738 | 20 Nov 2014 | 2018 – 2020 |
| | 394,737 | – | – | – | 394,737 | 22 Nov 2013 | 2017 – 2019 |
| | 298,013 | – | – | – | 298,013 | 16 Nov 2012 | 2016 – 2018 |
| | 200,000 | – | (66,333) | (999) | 132,668 | 30 Sep 2011 | 2015 – 2017 |
| | 102,565 | – | (51,283) | – | 51,282 | 1 Feb 2011 | 2014 – 2016 |
| | 76,389 | – | (76,389) | – | – | 14 May 2010 | 2013 – 2015 |

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

### Auditors

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

### Subsequent events

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

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

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

By order of the board

**Ian Douglas Ferrier, AM**
Independent Chairman

Sydney, 13 August 2015

**Philip John Pearce**
Managing Director, Greater China

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

(EXPRESSED IN AUSTRALIAN DOLLARS)

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

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

**Ian Douglas Ferrier, AM**
Independent Chairman

**Philip John Pearce**
Managing Director, Greater China

) Directors

Sydney, 13 August 2015

The notes on pages 149 to 176 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015
(EXPRESSED IN AUSTRALIAN DOLLARS)

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

The notes on pages 149 to 176 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

(EXPRESSED IN AUSTRALIAN DOLLARS)

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

1. Amounts less than $0.1 million.

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

The notes on pages 149 to 176 form part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015
(EXPRESSED IN AUSTRALIAN DOLLARS)

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

The notes on pages 149 to 176 form part of these consolidated financial statements.

## Basis of preparation

### 1. Basis of preparation

#### (a) Statement of compliance

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

#### (b) Basis of preparation of the consolidated financial statements

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

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

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

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

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

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

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

#### (c) Principles of consolidation

##### Subsidiaries

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

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

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

##### Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss and no goodwill is recognised as a result of such transactions.

##### Joint ventures

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

##### Transactions eliminated on consolidation

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

## Basis of preparation continued

### 1. Basis of preparation continued

### (c) Principles of consolidation continued

#### Combination of entities or businesses under common control

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

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

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

### (d) Foreign currency translation

#### Functional and presentation currency

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

#### Transactions

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

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

#### Translation of controlled foreign operations

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

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

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

### (e) Changes in accounting policies

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

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

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

### (f) Accounting standards issued but not yet effective

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

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

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

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

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

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

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

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

Basis of preparation continued

## 1. Basis of preparation continued

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

#### Measurement of fair values

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

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

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

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

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

Results for the year

## 2. Profit before interest and tax

#### Gross property income

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

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

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

#### Management income

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

#### Development income

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

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

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

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

#### Disposal of investment properties

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

### Employee benefits

#### Wages, salaries and annual leave

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

#### Defined contribution retirement plans

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

**Results for the year continued**

## 2. Profit before interest and tax continued

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

## 3. Segment reporting

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

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

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

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

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

Results for the year continued

## 3. Segment reporting continued

### Information about reportable segments

| Consolidated statement of comprehensive income | Asia 2015 $M | Asia 2014 $M | Continental Europe 2015 $M | Continental Europe 2014 $M | Total 2015 $M | Total 2014 $M |
|---|---|---|---|---|---|---|
| **External revenue** | | | | | | |
| Gross property income | 4.9 | 3.3 | 9.5 | 11.2 | 14.4 | 14.5 |
| Management income | 37.3 | 38.8 | 37.8 | 34.8 | 75.1 | 73.6 |
| Development income | 32.1 | 28.8 | 370.2 | 362.3 | 402.3 | 391.1 |
| Distributions from investments | 8.0 | 0.8 | – | – | 8.0 | 0.8 |
| **Total external revenue** | **82.3** | **71.7** | **417.5** | **408.3** | **499.8** | **480.0** |
| **Reportable segment profit before income tax** | **71.0** | **58.7** | **86.4** | **71.8** | **157.4** | **130.5** |
| **Other key components of financial performance included in reportable segment profit before tax** | | | | | | |
| Share of net results of equity accounted investments (before fair value adjustments) | 10.1 | 7.0 | 4.9 | 2.1 | 15.0 | 9.1 |
| **Material non-cash items not included in reportable segment profit before income tax** | | | | | | |
| Net loss from fair value adjustments on investment properties | – | – | (18.8) | – | (18.8) | – |
| Share of fair value adjustments in equity accounted investments | 5.6 | 12.2 | 4.6 | (1.5) | 10.2 | 10.7 |

| Consolidated statement of financial position | Asia 2015 $M | Asia 2014 $M | Continental Europe 2015 $M | Continental Europe 2014 $M | Total 2015 $M | Total 2014 $M |
|---|---|---|---|---|---|---|
| **Reportable segment assets** | **861.6** | **685.6** | **525.4** | **455.3** | **1,387.0** | **1,140.9** |
| Investments accounted for using the equity method (included in reportable segment assets) | 386.1 | 225.9 | 67.3 | 55.8 | 453.4 | 281.7 |
| Total non-current assets | 722.8 | 463.8 | 448.9 | 353.5 | 1,171.7 | 817.3 |
| **Reportable segment liabilities** | **28.5** | **43.3** | **41.0** | **57.4** | **69.5** | **100.7** |

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

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

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

**Results for the year continued**

### 4. Income tax expense

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

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

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

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

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

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

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

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

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

**(c) Net income tax payable**

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

**(d) Deferred tax assets and liabilities**

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

## 5. Profit attributable to equity shareholders of the Company

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

### Operating assets and liabilities

## 6. Property assets

### (a) Types of property assets

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

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

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

### Inventories

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

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

### Investment properties

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

#### Components of investment properties

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

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

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

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

#### Stabilised investment properties

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

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

#### 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 continued**

## 6. Property assets continued

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

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

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

#### Inventories

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

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

#### Stabilised investment properties

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

#### Approach to determination of fair value

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

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

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

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

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

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

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

## Operating assets and liabilities continued

### 6. Property assets continued

#### (c) Estimates and assumptions in determining property carrying values continued

#### Market assessment

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

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

#### Investment properties under development

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

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

#### (d) Inventories

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

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

#### (e) Investment properties

#### Reconciliation of carrying amount of directly held investment properties

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

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

### Operating assets and liabilities continued

### 6. Property assets continued

#### (e) Investment properties continued

#### Measurement of fair value

#### (i) Fair value hierarchy

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

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

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

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

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

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

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

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

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

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

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

Operating assets and liabilities continued

## 6. Property assets continued

### (f) Investments accounted for using the equity method continued

### Summary financial information of JVs

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

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

**Operating assets and liabilities continued**

## 7. Receivables

### Non-derivative financial assets

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

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

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

### Loans and receivables

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

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

### Construction contract receivables

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

### Impairment

### Non-financial assets

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

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

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

### Financial assets

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

### Calculation of recoverable amount

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

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

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

### Reversals of impairment

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

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

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

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

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

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

## Operating assets and liabilities continued

### 7. Receivables continued

#### Trade receivables

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

#### Other receivables

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

#### Amounts due from related parties

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

#### Loans to related parties

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

### 8. Payables

#### Non-derivative financial liabilities

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

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

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

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

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

#### Provisions

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

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

#### Rental guarantees

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

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

## Capital management

### 9. Finance income and expense

#### Finance income

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

#### Finance expenses

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

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

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

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

**Capital management continued**

## 10. Other financial assets

### Available for sale financial assets

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

Available for sale financial assets comprise investments in equity securities.

### Impairment

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

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

### Reversals of impairment

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

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

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

## 11. Financial risk management

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

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

### Financial risk management

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

### (a) Market risk

### Foreign exchange risk

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

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

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

## 11. Financial risk management continued

### (a) Market risk continued

### Exposure to currency risk

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

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

### Sensitivity analysis

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

### Interest rate risk

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

### Sensitivity analysis

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

### Price risk

The Consolidated Entity is not exposed to price risk.

### (b) Liquidity risk

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

The contractual maturities of financial liabilities are set out below:

| | Carrying amount $M | Contractual cash flows $M | Up to 12 months $M | 1–2 years $M | 2–3 years $M | 3–4 years $M | 4–5 years $M | More than 5 years $M |
|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | |
| Trade and other payables | 62.4 | 62.4 | 57.5 | 4.9 | – | – | – | – |
| Loans from related parties | 1,044.5 | 1,044.5 | 1,044.5 | – | – | – | – | – |
| **Total** | 1,106.9 | 1,106.9 | 1,102.0 | 4.9 | – | – | – | – |
| **2014** | | | | | | | | |
| Trade and other payables | 86.0 | 86.0 | 82.0 | 4.0 | – | – | – | – |
| Loans from related parties | 885.3 | 885.3 | 885.3 | – | – | – | – | – |
| **Total** | **971.3** | **971.3** | **967.3** | **4.0** | **–** | **–** | **–** | **–** |

**Capital management continued**

## 11. Financial risk management continued

### (c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised in the consolidated statement of financial position, is the carrying amount (refer to note 7).

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

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

### (d) Fair values of financial instruments

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

#### (i) Valuation techniques and significant unobservable inputs

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

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

#### (ii) Reconciliation of Level 3 fair values

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

## 12. Dividends

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

Capital management continued

## 13. Share capital

### (a) Ordinary shares

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

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

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

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

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

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

#### Share based payments transactions

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

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

#### LTIP

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

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

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

### Capital management continued

### 13. Share capital continued

#### (b) Equity settled share based payments transactions continued

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

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

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

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

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

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

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

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

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

## Other items

### 14. Notes to the consolidated cash flow statement

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

#### (a) Reconciliation of cash

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

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

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

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

**Other items continued**

## 15. Reserves

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

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

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

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

## 16. Retained earnings

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

## Other items continued

### 17. Investments in subsidiaries

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

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

### 18. Related party transactions

#### Related parties

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

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

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

#### (a) Directors' remuneration

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

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

## Other items continued

## 18. Related party transactions continued

### (b) Transactions and amounts due from related parties

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

### (c) Financing arrangements with related parties

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

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

**Other items continued**

## 19. Commitments

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

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

**Non-cancellable operating lease receivable from investment property customers**

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

## 20. Contingencies

### Capitalisation Deed Poll

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

### Euro medium-term note programme

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

### United States senior notes

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

### Goodman PLUS hybrid securities guarantee

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

**Other items continued**

## 21. Company level statement of financial position

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

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


**Ian Douglas Ferrier, AM**
Independent Chairman
Sydney, 13 August 2015

**Philip John Pearce**
Managing Director, Greater China

)
)
) Directors
)
)

## 22. Subsequent events

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GOODMAN LOGISTICS (HK) LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

KPMG

We have audited the consolidated financial statements of Goodman Logistics (HK) Limited (the Company) and its subsidiaries (together the Group) set out on pages 149 to 176, which comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

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

## Auditor's responsibility

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

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

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

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

## Opinion

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

Kpmg.

**KPMG**

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

13 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

| Top 20 Securityholders As at 31 August 2015 | Number of securities | Percentage of total issued securities |
|---|---|---|
| 1. HSBC Custody Nominees (Australia) Limited | 561,432,595 | 31.72 |
| 2. J P Morgan Nominees Australia Limited | 518,472,715 | 29.29 |
| 3. National Nominees Limited | 222,983,516 | 12.60 |
| 4. Citicorp Nominees Pty Limited | 146,529,619 | 8.28 |
| 5. BNP Paribas Noms Pty Ltd <DRP> | 62,254,651 | 3.52 |
| 6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C> | 33,337,940 | 1.88 |
| 7. AMP Life Limited | 27,252,526 | 1.54 |
| 8. Trison Investments Pty Ltd | 24,553,846 | 1.38 |
| 9. Beeside Pty Limited | 16,923,077 | 0.96 |
| 10. CPU Share Plans Pty Ltd <GMG LTI Unallocated A/C> | 9,824,337 | 0.56 |
| 11. Bond Street Custodians Limited <ENH Property Securities A/C> | 4,289,593 | 0.24 |
| 12. RBC Investor Services Australia Nominees Pty Limited <PISelect> | 3,862,087 | 0.22 |
| 13. RBC Investor Services Australia Nominees Pty Limited <APN A/C> | 3,814,717 | 0.22 |
| 14. HSBC Custody Nominees (Australia) Limited | 3,135,503 | 0.18 |
| 15. National Nominees Limited <DB A/C> | 3,026,828 | 0.17 |
| 16. UBS Nominees Pty Ltd | 2,737,199 | 0.15 |
| 17. BNP Paribas Noms (NZ) Ltd <DRP> | 2,626,428 | 0.15 |
| 18. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> | 2,593,935 | 0.15 |
| 19. Questor Financial Services Limited <TPS RF A/C> | 2,360,181 | 0.13 |
| 20. HSBC Custody Nominees (Australia) Limited – A/C 2 | 2,168,306 | 0.12 |
| Securities held by top 20 Securityholders | 1,654,179,599 | 93.46 |
| Balance of securities held | 115,877,003 | 6.54 |
| **Total issued securities** | **1,770,056,602** | **100.00** |

| Range of securities | Number of Securityholders | Number of securities | Percentage of total issued securities |
|---|---|---|---|
| 1 – 1,000 | 6,123 | 3,008,137 | 0.17 |
| 1,001 – 5,000 | 9,514 | 23,967,419 | 1.35 |
| 5,001 – 10,000 | 2,708 | 19,354,240 | 1.09 |
| 10,001 – 100,000 | 1,749 | 37,186,293 | 2.10 |
| 100,001 – over | 108 | 1,686,540,513 | 95.28 |
| Rounding | | | 0.01 |
| **Total** | **20,202** | **1,770,056,602** | **100.00** |

There were 647 Securityholders with less than a marketable parcel in relation to 9,038 securities as at 31 August 2015.

| Substantial Securityholders[1] | Number of securities |
|---|---|
| Leader Investment Corporation; China Investment Corporation | 168,462,083 |
| State Street | 106,113,676 |
| BlackRock, Inc. | 103,955,559 |
| Vanguard Group | 102,759,342 |
| AMP Limited | 87,927,845 |

1. In accordance with latest Substantial Securityholder Notices as at 31 August 2015.

## Goodman Logistics (HK) Limited CHESS Depository Interests

ASX reserves the right (but without limiting its absolute discretion) to remove Goodman Logistics (HK) Limited, Goodman Limited and Goodman Industrial Trust from the official list of the ASX if a CHESS Depository Interest (CDI) referencing an ordinary share in Goodman Logistics (HK) Limited, a share in Goodman Limited or a unit in Goodman Industrial Trust cease to be stapled, or any new securities are issued by Goodman Logistics (HK) Limited, Goodman Limited or Goodman Industrial Trust and are not (or CDIs in respect of them are not) stapled to equivalent securities in the Goodman Group.

## Voting rights

On a show of hands at a general meeting of Goodman Limited or Goodman Industrial Trust, every person present who is an eligible Securityholder shall have one vote and on a poll, every person present who is an eligible Securityholder shall have one vote for each Goodman Limited share and one vote for each dollar value of Goodman Industrial Trust units that the eligible Securityholder holds or represents (as the case may be). At a general meeting of Goodman Logistics (HK) Limited, all resolutions will be determined by poll, and eligible Securityholders will be able to direct Chess Depositary Nominees Pty Limited to cast one vote for each Chess Depositary Instrument (referencing a Goodman Logistics (HK) Limited share) that the eligible Securityholder holds or represents (as the case may be).

## On-market buy-back

There is no current on-market buy-back.

# GLOSSARY

**AASB** Australian Accounting Standards Board.

**ABPP** Arlington Business Parks Partnership, an unlisted property fund specialising in the investment of business parks in the United Kingdom.

**ASX** Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

**AUM** Assets under management: total value of properties directly held or under management.

**CPPIB** Canada Pension Plan Investment Board.

**Cps** Cents per security.

**Cpu** Cents per unit.

**DPS** Distribution per security. Total distributions to investors divided by the number of securities outstanding.

**EBIT** Operating profit before net finance expense and income tax.

**EPS** Earnings per security.

**GADF** Goodman Australia Development Fund.

**GAIF** Goodman Australia Industrial Trust No 1 (ARSN 088 750 627); Goodman Australia Industrial Trust No 2 (ARSN 116 208 612); and Goodman Australia Industrial Trust No 3 (ARSN 130 854 938) stapled to form Goodman Australia Industrial Fund.

**GCLH** Goodman China Logistics Holding, an unlisted property fund specialising in the investment of industrial property in China.

**GELF** Goodman European Logistics Fund, an unlisted property fund specialising in the investment of industrial property in Continental Europe.

**GFM** Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621).

**GHKLF** Goodman Hong Kong Logistics Fund, an unlisted property fund specialising in the investment of industrial property in Hong Kong.

**GIT** Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities or GFM as Responsible Entity for GIT, where the context requires.

**GJCF** Goodman Japan Core Fund, an unlisted property fund specialising in the investment of industrial property in Japan.

**GJDP** Goodman Japan Development Partnership, a logistics and industrial partnership between Goodman and Abu Dhabi Investment Council.

**GL** Goodman Limited (ABN 69 000 123 071) and its controlled entities, where the context requires.

**GLHK** Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149) and its controlled entities, where the context requires.

**GMP** Goodman PLUS.

**GMT** Goodman Property Trust, a listed property trust on the NZX managed by GMG.

**GNAP** Goodman North America Partnership, a logistics and industrial partnership between Goodman and Canada Pension Plan Investment Board.

**Goodman Group or GMG** Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

**GTA** Goodman Trust Australia.

**GTEP** Goodman Tax Exempt Plan.

**KGG** KWASA-Goodman Germany, an unlisted property trust specialising in the investment of industrial property in Germany.

**KGIT** KWASA-Goodman Industrial Trust, an unlisted property trust specialising in the investment of industrial property.

**LTI** Long term incentive.

**LTIP** Long Term Incentive Plan.

**NAV** Net asset value: the value of total assets less liabilities. For this purpose, liabilities include both current and long-term liabilities. To calculate the net asset value per ordinary security, divide the net asset value by the number of securities on issue.

**NZX** New Zealand Exchange Limited or New Zealand Exchange being the equity security market operated by it, as the case requires.

**Responsible Entity** Responsible Entity means a public company that holds an Australian Financial Services Licence ("AFSL") authorising it to operate a managed investment scheme. In respect of GIT, the Responsible Entity is GFM, a wholly-owned subsidiary of GL.

**S&P** Standard & Poor's: an independent rating agency that provides evaluation of securities investments and credit risk.

**Securityholder** A holder of a Stapled Security.

**Shareholder** A shareholder of GL and/or GLHK.

**Sqm** Square metres.

**Sq ft** Square feet.

**Stapled** The linking together of a GIT unit, a GL share and a GLHK share so that one may not be transferred or otherwise dealt with without the other and which are quoted on the ASX jointly as a "stapled security".

**Stapled Security** A GIT unit, a GL share and a GLHK share which are stapled so that they can only be traded together.

**STI** Short term incentive.

**Substantial Securityholder** A person or company that holds at least 5% of Goodman Group's voting rights.

**TSR** Total securityholder return.

**Unitholder** A unitholder of GIT.

# CORPORATE DIRECTORY

## Goodman Group

**Goodman Limited**
ABN 69 000 123 071

**Goodman Industrial Trust**
ARSN 091 213 839

**Responsible Entity**
Goodman Funds Management Limited
ABN 48 067 796 641; AFSL Number 223621

**Goodman Logistics (HK) Limited**
Company No. 1700359; ARBN 155 911 149

## Offices

**Registered offices**
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| | |
|---|---|
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| | +61 2 9230 7400 (outside Australia) |
| Facsimile | +61 2 9230 7444 |
| Email | info@goodman.com |
| Website | www.goodman.com |

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1 Queen's Road East
Hong Kong

| | |
|---|---|
| Telephone | +852 2249 3100 |
| Facsimile | +852 2525 2070 |

**Other offices**

| | | |
|---|---|---|
| Adelaide | Cracow | Paris |
| Amsterdam | Düsseldorf | Perth |
| Auckland | Guangzhou | Poznan |
| Barcelona | Hamburg | Prague |
| Beijing | Hong Kong | Reading |
| Birmingham | London | São Paulo |
| Brisbane | Los Angeles | Shanghai |
| Brussels | Luxembourg | Sydney |
| Budapest | Madrid | Tokyo |
| Chengdu | Melbourne | Warsaw |
| Christchurch | Osaka | |

**Directors**

| | |
|---|---|
| Mr Ian Ferrier, AM | (Independent Chairman) |
| Mr Gregory Goodman | (Executive Director) |
| Mr Philip Fan | (Independent Director) |
| Mr John Harkness | (Independent Director) |
| Ms Anne Keating | (Independent Director) |
| Ms Rebecca McGrath | (Independent Director) |
| Mr Philip Pearce | (Executive Director) |
| Mr Danny Peeters | (Executive Director) |
| Mr Phillip Pryke | (Independent Director) |
| Mr Anthony Rozic | (Executive Director) |
| Mr James Sloman, OAM | (Independent Director) |

**Company Secretary**
Mr Carl Bicego

## Security Registrar

**Computershare Investor Services Pty Limited**
Level 5
115 Grenfell Street
Adelaide SA 5000
GPO Box 1903
Adelaide SA 5001

| | |
|---|---|
| Telephone | 1300 723 040 (within Australia) |
| | +61 3 9415 4043 (outside Australia) |
| Facsimile | +61 8 8236 2305 |
| Email | www.investorcentre.com/contact |
| Website | www.computershare.com |

## Custodians

**The Trust Company Limited**
Level 12
123 Pitt Street
Sydney NSW 2000

## Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

## ASX code

GMG

Disclaimer

Goodman

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