



Announcement to Singapore Exchange

11 August 2016

**GBP250,000,000 9.75 PER CENT NOTES DUE JULY 2018 (THE “NOTES”) ISSUED
PURSUANT TO THE USD 5 BILLION EURO MEDIUM TERM NOTE PROGRAMME (THE
‘PROGRAMME’)**

**ANNOUNCEMENT OF GOODMAN GROUP RESULTS FOR THE FULL YEAR ENDED 30
JUNE 2016 – PART 1**

We attach the Goodman Group Results including the Australian Securities Exchange (ASX) release, Appendix 4E statement under the ASX Listing Rules and consolidated Goodman Limited Financial Report for the Full Year Ended 30 June 2016.

The Investor Presentation and Appendices are set out in Part 2 and Part 3 of the announcement. The results are as released to the Australian Securities Exchange.

Yours sincerely,

For Goodman Australia Finance Pty Limited

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

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Goodman Logistics (HK) Limited 嘉民物流(香港)有限公司 | Company No. 1700359 | ARBN 155 911 149
a Hong Kong company with limited liability

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asx release+

Goodman delivers strong full year FY16 operating profit of \$715 million, with operating EPS up 7.8% and a positive FY17 outlook

Date	11 August 2016
Release	Immediate

Goodman Group (Goodman or Group) today announced its results for the full year ended 30 June 2016, delivering an operating profit of \$715 million and statutory profit under IFRS¹ of \$1,275 million. The execution of the Group's business strategy continues to generate opportunities to capitalise on the demand for modern, high quality logistics space in key gateway cities globally and ensures Goodman is well positioned to drive consistent earnings growth in future periods.

Key financial and operational highlights for the period are:

Financial highlights

- + Operating profit of \$715 million², a 9% increase on the same period last year
- + Statutory profit of \$1,275 million² (including property and intangible valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items)
- + Operating earnings per security (EPS)² of 40.1 cents³, up 7.8% on FY15
- + Total distribution of 24.0 cents per stapled security, up 8% on FY15
- + Net tangible assets per security increased 19% to \$4.10, with a significant contribution from urban renewal projects
- + Strong operating cash flow and financial position maintained, with balance sheet gearing of 11.8%⁴, interest coverage ratio (ICR) of 5.5 times and \$2.6 billion of liquidity to cover average debt maturities of 4.4 years
- + Positioned to deliver a target long-term operating EPS growth of 6%, resulting in forecast FY17 operating EPS of 42.5 cents (up 6% on FY16)
- + Target distribution payout ratio unchanged at 60%, resulting in a forecast FY17 distribution of 25.4 cents per security (up 6% on FY16)

Operational highlights

- + Total assets under management of \$34.1 billion, up 13% on FY15, reflecting increased valuations arising from the demand for quality and well performing industrial assets
- + Robust property fundamentals across the core investment portfolio, with occupancy maintained at 96%, and weighted average lease expiry of 4.7 years
- + Development work in progress of \$3.4 billion across 81 projects in 14 countries, 68% pre-committed and 74% pre-sold to third parties or managed partnerships, generating a forecast yield on cost of 7.8%

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- + **Group and Partnerships deleveraging, with \$10.3 billion of undrawn debt, cash and equity capital**
- + **Progressing urban renewal strategy ahead of expectations, a total of \$2.1 billion of sites sold and conditionally contracted, with \$0.8 billion settled in FY16**

Goodman's Group Chief Executive Officer, Greg Goodman said: "Our global business has performed above expectations in FY16 and our strategy to focus on development and fund this through asset rotation is being well executed. Ultimately, the result was driven by the quality and strength of Goodman's global capability, the depth of our customer relationships and active investment partnerships.

We continue to focus on improving the quality of our properties and income, capitalising on the strong demand for modern, well located logistics space. This is being underpinned by a number of significant themes transforming the industrial sector globally, including the growth in consumerism, the urbanisation of our cities and the evolution of e-commerce. With e-retailers expanding their networks and seeking to optimise delivery solutions; logistics markets changing and evolving in and around gateway cities; and customers' focus on increasing operational and supply chain efficiencies through technology and distribution platforms, our strategy remains focused on quality and location, while leveraging these opportunities. We expect these themes to be key drivers of Goodman's earnings and with our through-the-cycle planning approach, have positioned our business to realise the opportunities being provided. This will continue to create significant value for all of our stakeholders and underpin the robust, high quality business we are building for the long term."

Goodman has been at the forefront of the evolution of the industrial property sector, establishing a truly global business and international operating platform, which has been prudently built over time and focused on owning quality assets in strategic locations. This enables the Group to provide a consistent business strategy, specialising in industrial real estate, to deliver innovative solutions for its customers, while partnering with global capital to access the best quality opportunities and drive long-term total returns. The benefit of Goodman's geographical diversification and stability of earnings is evident, with 59% of earnings contributed from Goodman's international operations.

Statutory profit under IFRS¹ was \$1,275 million for the full year and is after property and intangible revaluations, derivatives being marked to market and other non-cash or non-recurring items. The statutory profit was primarily influenced by positive property revaluations totalling \$810 million, which included valuation uplifts from a number of urban renewal sites.

The growth in active earnings from Goodman's development and management businesses is being balanced by maintaining a strong financial position. This disciplined approach to risk management is reflected in the Group's gearing, which reduced to 11.8% at financial year end. Lower gearing in the managed Partnerships resulted in "look through" gearing reducing to 24.6% and is expected to continue to moderate.

Operations

The Group achieved an operating EBIT of \$879 million⁵, or a 23% increase compared with last year. Even after taking into account the benefit of the lower Australian dollar, the result reflects the organic growth, geographic diversification and increased scale from Goodman's existing markets. The strong activity experienced across the Group's development and management

businesses were key drivers of performance over the full year and highlight the ongoing high level of customer and investor demand for prime industrial space across Goodman's global markets. The development and management businesses increased their contribution to 39% and 18% of operating EBIT respectively.

Investments

Investments contributed operating EBIT of \$407 million, a 3% increase compared with last year. The stability in investment earnings reflects ongoing asset sales, development completions and the deleveraging in the Partnerships. The result included the completion of a further \$2.2 billion of asset disposals (excluding urban renewal sites) across the Group and its managed Partnerships. This is consistent with the strategy of improving the overall quality of Goodman's portfolio and income being generated, by selectively rotating property assets and reinvesting capital into development opportunities.

Sound underlying property fundamentals over the full year period resulted in 3.4 million sqm of space successfully leased across Goodman's quality portfolio of 412 properties globally. Like for like rental growth was 1.9% and new leasing deals had positive lease reversions of 3.0%. Overall occupancy was maintained at 96%, with a 79% retention rate, highlighting the value of Goodman's offering. The weighted average lease expiry across the investment portfolio was 4.7 years as at 30 June.

Momentum continued with the rollout of the Group's urban renewal strategy during the year, achieving positive planning outcomes on a number of sites and maintaining a current urban renewal pipeline of 35,000 apartments in Australia. Reflecting the ongoing demand for re-zoned residential sites, Goodman has sold and conditionally contracted a further \$1.0 billion of urban renewal sites during the year, bringing the total sold and conditionally contracted sites to \$2.1 billion (\$1.6 billion Group / \$0.5 billion Partnerships) as at 30 June 2016. Of this amount, Goodman settled \$0.8 billion of urban renewal transactions in FY16, with a further \$1.0 billion of settlements to occur in FY17.

Developments

Developments contributed operating EBIT of \$366 million, a 43% increase compared with last year. The strong performance of the development business was driven by increased volumes, highlighting the demand for prime logistics space and the ongoing improvement of development margins. This continues to be underpinned by robust underlying domestic consumption in major gateway cities; ongoing structural changes, including the rapid growth in ecommerce; and customers focusing on realising greater efficiencies and returns from their properties. The positive impact of these factors is reflected in the \$3.3 billion of new projects that Goodman commenced in FY16.

Goodman undertook significant development activity across all of its operating regions during the year, in particular from Europe and North America, which represented half of all development commencements. Development work in progress has increased to \$3.4 billion, generating a yield on cost of 7.8% and equating to 2.5 million sqm of new space, across 81 projects in 14 countries.

The Group has maintained its disciplined and prudent development approach by focusing on maintaining a strong balance sheet, underpinned by asset rotation initiatives, targeted

speculative development in supply constrained markets, and capital partnering, which is seeing a greater proportion of development being undertaken in Goodman's Partnerships.

Management

Management contributed operating EBIT of \$166 million, a 33% increase compared with last year. The Group's Partnerships performed strongly over the year, with higher revenue derived from growth in transactional activity. This was delivered by the Partnerships executing a development-led strategy and selectively undertaking a range of asset rotation initiatives during the year. The proceeds from these initiatives are providing a key source of capital for the development strategy being increasingly implemented across the Partnership platform, while also reducing gearing. This is improving portfolio quality and maintainability of income, and enabling investment partners to access growth opportunities in proven locations that are not readily available on the open market.

A key driver of the growth in Management earnings was the increase in third party assets under management to \$29.3 billion at year end. This represents a 16% increase compared to 30 June 2015 and was primarily the result of development completions, sustained growth in asset pricing and foreign currency movements.

Global investment partners continue to support Goodman's Partnerships, with a further \$2.3 billion of equity raised during the full year period. This reflects the proven ability of the Group's investment management platform to drive strong ongoing total returns and deliver long-term value creation. The Group and its Partnerships have available investment capacity of \$10.3 billion⁶ of undrawn equity, debt and cash, to participate in a broad range of growth opportunities from the Group and broader market.

The execution of our active management strategy has resulted in average managed Partnership total returns exceeding 20%.

Capital Management

Goodman has maintained its commitment to a strong financial position, consistent with its long-term view towards its real estate investments and focus on delivering sustainable growth and competitive, risk adjusted returns. Goodman continues to ensure it is appropriately positioned to fund its development workbook, absorb any changes in market volatility and take advantage of growth opportunities over the longer term. The settlement of \$0.8 billion of urban renewal transactions in FY16 has resulted in gearing further reducing to 11.8% and, with available liquidity currently at \$2.6 billion, Goodman has considerable financial flexibility for future periods and the ability to fund longer-term growth opportunities. The Group has a weighted average debt maturity profile of 4.4 years, with debt maturities fully covered to June 2021.

Outlook

The Group's overall strategy remains unchanged. Goodman continues to position itself as a leading global industrial property group, building a financially strong and competitive business for the future. In this context, the focus remains on:

- + Improving asset and income quality across the portfolio through targeted asset rotation initiatives, albeit at a slower rate.
- + Balance sheet gearing continuing to fall as proceeds from urban renewal transactions settle.
- + Development volumes expected to remain consistent, driven by the structural changes impacting the industrial property sector.
- + A strong development business, coupled with the demand from investors seeking high quality, well located industrial assets, will continue to support the organic growth in assets under management.
- + Positive investment total returns from the Partnerships, given their active and flexible structure.
- + Urban renewal pipeline of 35,000 apartments across the Australian portfolio maintained, with the focus on planning and rezoning of future precincts.
- + The Group has enhanced its remuneration elements to align management remuneration with long-term performance outcomes and strategy. This entails weighting incentives to the long term and capping of short-term incentives for key management personnel, with payment split into two equal instalments over twelve months.

Accordingly, Goodman is well positioned to deliver a forecast full year FY17 operating earnings per security of 42.5 cents, up 6% on FY16, with forecast FY17 distributions of 25.4 cents, up 6% on FY16.

- Ends -

For further information, please contact;
 Greg Goodman
 Group Chief Executive Officer
 Tel: + 612 9230 7400

About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist investment managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant investment management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

¹ International Financial Reporting Standards.

² Operating profit and operating EPS comprise profit attributable to Securityholders, adjusted for property and intangible valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items. Operating profit is used to present a clear view of the underlying profit from operations. It is used consistently and without bias year on year for comparability. A reconciliation to statutory profit is provided in summary on page 10 of the ASX Results Presentation and in detail on page 6 of the Directors' Report as announced on ASX and available from the Investor Centre at www.goodman.com.

³ Calculated based on weighted average diluted securities of 1,781.2 million, including 10.9 million LTIP securities which have achieved the required performance hurdles and will vest in September 2016 and September 2017.

⁴ Calculated as total interest bearing liabilities over total assets, both net of cash and fair values of cross currency swaps used to hedge liabilities denominated in currencies other than those to which the proceeds are applied equating to \$258.2 million – refer to Note 13 of the Financial Statements.

⁵ Operating EBIT comprises statutory profit before interest and tax of \$1,383 million adjusted for property and intangible valuations and other non-cash or non-recurring items. A reconciliation to statutory profit before interest and tax is provided in Note 4 of the Financial Statements.

⁶ Partnership investments are subject to investment committee approval.

APPENDIX 4E
GOODMAN GROUP
(comprising Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited)
RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2016

The Appendix 4E should be read in conjunction with the Directors' report and Consolidated financial statements of Goodman Limited for the year ended 30 June 2016. The information included in the Appendix 4E and the Consolidated financial report for the year ended 30 June 2016 comprises all the information required by ASX Listing Rule 4.3A. The Appendix 4E is based on the Consolidated financial statements which have been audited by KPMG.

Highlights of results

	30 Jun 2016	30 Jun 2015	Change	
Revenue and other income (\$M)	2,944.0	2,356.6	up	24.9%
Operating profit (before specific non-cash and other significant items) attributable to Securityholders (\$M)	714.5	653.5	up	9.3%
Profit (statutory) attributable to Securityholders (\$M)	1,274.6	1,208.0	up	5.5%
Total comprehensive income (statutory) attributable to Securityholders (\$M)	1,278.4	1,408.0	down	(9.2%)
Diluted operating profit per security (cents)	40.1	37.2	up	7.8%
Dividends and distributions				
Interim distribution per GMG security (cents)	11.9	11.1	up	7.2%
Final dividend and distribution proposed per GMG security (cents)	12.1	11.1	up	9.0%
	24.0	22.2	up	8.1%
Interim distribution paid (\$M)	210.6	193.7	up	8.7%
Final dividend and distribution proposed (\$M)	215.2	194.6	up	10.6%
	425.8	388.3	up	9.7%
Franked amount per security/share (cents)	-	-	-	-
Conduit foreign income	-	-	-	-
Record date for determining entitlements to the distributions	30 Jun 2016	30 Jun 2015		
Date interim distribution was paid	22 Feb 2016	20 Feb 2015		
Date final dividend and distribution are payable	26 Aug 2016	26 Aug 2015		
Distribution reinvestment plan				
Goodman Group's Distribution Reinvestment Plan (DRP) will not operate in respect of the final 2016 dividends and distributions.				
The DRP was in operation for the interim distribution.				
Total assets (\$M)	12,387.1	11,262.3	up	10.0%
Total liabilities (\$M)	3,993.8	3,886.2	up	2.8%
Net assets (\$M)	8,393.3	7,376.1	up	13.8%
Net tangible assets per security/share (cents)	409.8	346.5	up	18.3%
Total borrowings to equity ratio (%)	34.1	36.7	down	(7.1%)
Contributed equity (\$M)	8,031.7	7,936.2	up	1.2%
Security price (\$)	7.11	6.27	up	13.4%
Number of securities on issue (M)	1,778.3	1,753.0	up	1.4%
Market capitalisation (\$M)	12,643.8	10,991.5	up	15.0%
Number of Securityholders	23,328	19,592	up	19.1%

Controlled entities acquired or disposed

On the restruture of Goodman Group's operations in Brazil, the following entities were acquired:

- Goodman Brasil Logistica S.A
- Goodman Investimentos e Participações S.A
- Goodman Consultoria, Participações e Administração de Valores Mobiliarios Ltda
- Goodman I Empreendimentos Imobiliarios Ltda
- Goodman Caxias Empreendimentos Imobiliarios Ltda
- Goodman Betim Empreendimentos Imobiliarios Ltda
- Goodman Brasilia Empreendimentos Imobiliarios Ltda
- Goodman Campo Grande Empreendimentos Imobiliarios Ltda
- Goodman Itupeva Empreendimentos Imobiliarios Ltda

There were no material disposals of controlled entities during the year.

Associates and joint venture entities

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

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

- BGMG1 Oakdale South Trust (50%)
- BGMG2 Rochedale North Trust (50%)
- Brickwords Industrial Developments Pty Ltd & Goodman Vineyard No.2 Pty Ltd Partnership (50%)
- Euston Road Subtrust No. 2 Trust (50%)
- Goodman Australia Development Partnership (20%)
- Goodman China Logistics Partnership (20%)
- Goodman Japan Development Partnership (50%)
- Goodman North America Partnership (55%)
- Goodman Princeton Partnership (Jersey) Ltd (20%)
- Goodman UK Partnership L.P (33.3%)
- KWASA Goodman Germany (27.4%)
- KWASA Goodman Industrial Partnership (40%)
- Pochin Goodman (Deeside) Ltd (50%)
- South East Asia Joint Venture (50%)
- Toll Goodman Property Services Pty Ltd (50%)
- Úllő One 2008 Kft (50%)

Goodman Limited
ABN 69 000 123 071
and its Controlled Entities
Consolidated financial report for the year ended 30 June 2016

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Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

The directors (Directors) of Goodman Limited (Company) present their Directors' report together with the consolidated financial report of the Company and the entities it controlled (Goodman or Consolidated Entity) at the end of, or during, the financial year ended 30 June 2016 and the audit report thereon.

Shares in the Company, units in Goodman Industrial Trust (GIT) and CHESS Depositary Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK) are stapled to one another and are quoted as a single security on the Australian Securities Exchange (ASX).

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 investment 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 (resigned 12 July 2016)
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 31 to 33 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 33 in this Directors' report.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

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:

Directors	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
	Held¹	Attended²	Held¹	Attended	Held¹	Attended	Held¹	Attended
Mr Ian Ferrier	11	11	4	4	3	3	-	-
Mr Gregory Goodman	11	11	-	-	-	-	-	-
Mr Philip Fan	11	11	4	4	-	-	4	4
Mr John Harkness	11	11	4	4	-	-	4	4
Ms Anne Keating	11	10	-	-	3	3	4	4
Ms Rebecca McGrath	11	11	-	-	3	3	4	4
Mr Philip Pearce ³	11	10	-	-	-	-	-	-
Mr Danny Peeters	11	10	-	-	-	-	-	-
Mr Phillip Pryke	11	11	4	4	3	3	-	-
Mr Anthony Rozic	11	9	-	-	-	-	-	-
Mr Jim Sloman	11	11	-	-	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.

3. Mr Philip Pearce resigned as a Director on 12 July 2016.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Operating and financial review

Goodman strategy

Goodman's vision is to be a global leader in industrial property. This vision is executed through the integrated "own+develop+manage" business model, which are supported by five strategic "pillars". These pillars are:

- + **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, investment partners, suppliers and employees;
- + **Quality product and service** – deliver high quality product 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



Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Operating and financial review (cont)

Financial highlights

	Consolidated		
	2016	2015	Change %
Revenue and other income before fair value adjustments on investment properties (\$M)	2,069.6	1,618.7	27.9%
Fair value adjustments on investment properties including share of adjustments for associates and joint ventures (\$M)	874.4	737.9	18.5%
Revenue and other income (\$M)	2,944.0	2,356.6	24.9%
Profit attributable to Securityholders (\$M)	1,274.6	1,208.0	5.5%
Total comprehensive income attributable to Securityholders (\$M)	1,278.4	1,408.0	(9.2%)
Operating profit (\$M)	714.5	653.5	9.3%
Basic profit per security (¢)	72.0	69.2	4.0%
Operating profit per security (operating EPS) (¢) ¹	40.1	37.2	7.8%
Dividends/distributions in relation to the financial year (\$M) ²	425.8	388.3	9.7%
Dividend/distribution per security in relation to the financial year (¢) ²	24.0	22.2	8.1%
Weighted average number of securities on issue (M)	1,770.3	1,745.3	1.4%
Total equity attributable to Securityholders (\$M)	8,067.5	7,050.3	14.4%
Number of securities on issue (M)	1,778.3	1,753.0	1.4%
Net tangible assets per security (\$) ³	4.10	3.46	18.5%
Net assets per security (\$) ³	4.54	4.02	12.9%
Gearing (%) ⁴	11.8	17.3	(31.8%)
Liquidity (\$M)	2,552.2	1,793.3	42.3%
Weighted average debt maturity (years)	4.4	4.7	(6.4%)

1. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during the year ended 30 June 2016 (FY16), including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved.
2. Dividend/distribution per security includes a dividend of 1.0 cent per security amounting to \$17.8 million declared by GLHK on 11 August 2016. While this dividend is in relation to the Consolidated Entity's FY16 performance, it will only be accounted for in the year ending 30 June 2017 (FY17).
3. Net tangible assets and net assets per security are stated after deducting amounts due to other non-controlling interests.
4. 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 interest rate swaps used to hedge foreign liabilities denominated in currencies other than those to which the proceeds are applied equating to \$258.2 million – refer to note 13 to the consolidated financial statements.

Operating profit

Operating profit comprises profit attributable to Securityholders adjusted for net property valuations gains, non-property impairment losses, net gains/losses from the fair value movements on derivative financial instruments and unrealised foreign exchange movements on interest bearing liabilities 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.

The Consolidated Entity reports an operating profit of \$714.5 million for FY16, a 9.3% increase on the prior year, which equates to an operating EPS of 40.1 cents, up 7.8% on the prior year. Goodman continues to benefit from its globally diversified platform, with international operations contributing 59% of operating earnings before interest and tax and unallocated operating expenses.

In relation to investment activities, asset rotation continued during FY16, with \$3.0 billion being realised from disposals, including urban renewal settlements. These proceeds have been used to pay down debt and also to provide funding for developments, which have improved the overall quality of the portfolios. During FY16, development completions and valuations in the managed partnerships have more than offset the impact of asset rotation, such that the book value of Goodman's portfolios increased to over \$34 billion at 30 June 2016. Property fundamentals remain sound, with occupancy levels maintained at 96% and ongoing rental growth in most of Goodman's markets. As a consequence, investment earnings before interest and tax (EBIT) for the year increased by \$12.0 million to \$406.6 million.

Development activities were again a strong driver of earnings growth and development EBIT for the year increased by \$109.5 million to \$366.1 million. This was facilitated by the funding from asset rotation in Goodman's managed partnerships as well as further investment in those partnerships by Goodman's global investment partners. Growth has been particularly strong in Continental Europe and North America, which represented 52% of Goodman's development commencements in FY16. At 30 June 2016, Goodman's development work in progress had increased to \$3.4 billion.

Management activity levels also remained strong in FY16, with external assets under management (AUM) increasing by 16% to \$29.3 billion, as development completions and growth in asset pricing more than offset the impact of asset rotation. Management EBIT for the year increased by \$41.1 million to \$166.3 million.

Goodman Limited and its Controlled Entities
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Operating and financial review (cont)

Statutory profit

Goodman's statutory profit attributable to Securityholders for FY16 is \$1,274.6 million, an increase of \$66.6 million compared with the prior year. The items that reconcile Goodman's operating profit to the statutory profit include net property valuation gains and intangible asset impairments, net gains/ losses from the fair value movements on derivative financial instruments and unrealised foreign exchange movements on interest bearing liabilities and other non-cash adjustments or non-recurring items, which mainly relate to Goodman's Long Term Incentive Plan (LTIP), profit on disposal of investment properties and the transfer of currency losses from the foreign currency translation reserve to the income statement on the restructure of the Brazil operations (refer to note 21).

The reconciliation of operating profit to profit attributable to Securityholders for FY16 is set out in the table below:

	Note	Consolidated	
		2016 \$M	2015 \$M
Operating profit		714.5	653.5
Adjustments for:			
Property valuation gains and impairments of intangible assets			
- Net gain from fair value adjustments on investment properties	6(e)	327.8	515.9
- Share of net gains from fair value adjustments attributable to investment properties in associates and joint ventures after tax	2	546.6	222.0
- Impairment losses	2	(249.1)	(28.2)
- Deferred tax on fair value adjustments on investment properties		(20.4)	-
Total property valuation gains and impairments of intangible assets		604.9	709.7
Derivative mark to market and unrealised foreign exchange movements			
- Fair value adjustments on derivative financial instruments	11	106.1	53.6
- Share of fair value adjustments on derivative financial instruments in associates and joint ventures	2	5.6	6.6
- Unrealised foreign exchange losses	11	(30.2)	(160.0)
Total derivative mark to market and unrealised foreign exchange movements		81.5	(99.8)
Other non-cash adjustments or non-recurring items			
- Share based payments expense	2	(66.9)	(51.0)
- Net capital losses not distributed and tax deferred adjustments		(68.1)	(5.2)
- Profit on disposal of investment properties		9.5	-
- Straight lining of rental income		(0.8)	0.8
Total other non-cash adjustments or non-recurring items		(126.3)	(55.4)
Profit attributable to Securityholders		1,274.6	1,208.0

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. Valuation gains have been recorded in most of Goodman's divisions as strong investment markets have favourably impacted asset pricing. An impairment of intangible assets of \$204.6 million relates to the management rights in the United Kingdom - Business Parks division, which have been fully impaired as a result of the decision to sell the assets in the Arlington Business Parks Partnership (ABPP).

The statutory profit includes unrealised fair value gains of \$106.1 million on derivative financial instruments (of which \$66.3 million relates to foreign currency translation impacts) and \$30.2 million of unrealised foreign exchange losses on interest bearing liabilities. Therefore the net foreign currency impact reported in the income statement is a \$36.1 million gain. However, offsetting this in the consolidated statement of comprehensive income is a net loss of \$33.4 million 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 65% and 90% 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.

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Operating and financial review (cont)

Analysis of 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 Goodman's development earnings are 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 investment 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.

	Consolidated	
	2016	2015
	\$M	\$M
Analysis of operating profit		
Investment	406.6	394.6
Management	166.3	125.2
Development	366.1	256.6
Unallocated operating expenses	(60.3)	(59.3)
Operating profit before net finance expense and income tax expense	878.7	717.1
Net finance expense (operating) ¹	(88.9)	(21.4)
Income tax expense ²	(55.2)	(21.0)
	734.6	674.7
Less: Attributable to non-controlling interests	(20.1)	(21.2)
Operating profit	714.5	653.5
Interest cover ³ (times)	5.5	6.0

1. Net finance expense (operating) excludes derivative mark to market and unrealised foreign exchange movements.

2. Income tax expense excludes the deferred tax movements relating to investment property valuations.

3. Interest cover is operating profit before net finance expense and income tax (EBIT) divided by net finance expense (before capitalised borrowing costs).

Investment

The investment business performed in line with expectations resulting in investment operating EBIT of \$406.6 million, an increase of 3.0% compared to the prior year. The investment business comprises 43% of total operating EBIT before unallocated operating expenses (2015: 51%).

During FY16, Goodman experienced sound underlying property fundamentals across its operating divisions. Like for like rental growth was 1.9% and robust leasing activity resulted in 3.4 million square metres of space being leased across the portfolio globally, equating to \$356.5 million of annual net property income. A feature of the leasing success was the level of pre-leasing activity on uncommitted developments in a number of Goodman's markets, including China, Japan and the United Kingdom, which resulted in 84% of developments pre-committed on completion. Additionally, retention rates for existing customers remained high at 79%. This has ensured that overall occupancy was maintained at 96%, with the weighted average lease expiry at 4.7 years.

Goodman Limited and its Controlled Entities
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Operating and financial review (cont)

Analysis of business unit performance (cont)

Investment (cont)

Total AUM increased to over \$34 billion as at 30 June 2016, predominantly driven by \$3.2 billion of development completions and increased valuations. The current low interest rate environment is driving the ongoing demand and stronger pricing of property assets and this has been reflected in Goodman's total investment return for FY16 of 18.7%. For the managed partnerships, the total investment return in FY16 was greater than 20%.

Goodman has continued to take advantage of the market demand for industrial property assets with further selective asset rotation across most of its operating divisions. Goodman and its managed partnerships disposed of \$2.2 billion of property assets (excluding urban renewal sites) in FY16, the most significant disposals being in Australia and Continental Europe. This is providing capital for reinvestment into new assets arising from the development opportunities sourced from Goodman's own development business, improving overall portfolio and income quality.

In regard to Goodman's urban renewal strategy, \$0.8 billion of sites in Sydney have now settled, with a further \$1.0 billion of settlements expected in FY17.

Property valuations

The strength of investment markets in most of Goodman's regions resulted in Goodman's share of property valuation gains being in excess of \$0.8 billion, with the weighted average capitalisation rate tightening from 7.0% to 6.4% during FY16. Approximately 33% of the property valuation gains arose from the valuations of urban renewal properties in Australia.

Development

Goodman's development business continued to be a key driver of outperformance, with significant activity across all the operating divisions benefiting from the demand for prime, well-located logistics space. Development EBIT was \$366.1 million, an increase of 42.7% compared to the prior year, and comprises 39% of total operating EBIT before unallocated expenses (2015: 33%). Goodman's development work in progress (including managed partnerships) increased to \$3.4 billion (based on end value) across 81 projects in 14 countries with a forecast yield on cost of 7.8%. This reflects the robust underlying domestic consumption in major global gateway cities; growth in e-commerce and other ongoing structural changes; and customer focus on increasing operational and supply chain efficiencies.

Key highlights for FY16 include North America, which now contributes 12% of the Consolidated Entity's development work in progress, with 367,000 square metres of new project commencements in FY16. This contribution will continue to increase with development activity growing in response to customer demand, which is driving the division's development and investment pipeline towards US\$3 billion.

Continental Europe was also a key contributor to Goodman's development revenue growth and continues to perform strongly, with occupancy at 98%. Significant customer demand for new developments resulted in commencements of 920,000 square metres with 90% pre-committed. Europe and the Americas represented 52% of development commencements in FY16.

In China, Goodman completed the transfer of the majority of its land bank and developments to Goodman China Logistics Partnership (GCLP) in the first half of FY16 and the approach remains focused on selective, quality developments in targeted economic centres, with strong ongoing demand for quality logistics space from e-commerce and third party logistics customers. In Japan, following the pre-leasing success of Stage 1 of Goodman Business Park, Chiba, the focus is on the further build out of the site, with the development of Stage 2 comprising 125,000 square metres. Stage 1 has been acquired by Goodman Japan Core Partnership (GJCP) subsequent to the end of the financial year.

In the United Kingdom, Goodman UK Partnership's develop-to-hold strategy is progressing well, with the first two developments totalling 55,000 square metres reaching completion in FY16.

Finally, with 100% ownership of the Brazil operating platform secured during the second half of FY16, Goodman will pursue its strategy of creating and growing a platform with investment partners, in line with its global model. This will focus on undertaking selective logistics developments in the key São Paulo and Rio de Janeiro markets, and targeted investment or value add opportunities.

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Operating and financial review (cont)

Analysis of business unit performance (cont)

Management

During FY16, the management division contributed revenue of \$259.7 million, which included base management fees, performance fees and fees from transactional activity, and operating EBIT of \$166.3 million. Management EBIT increased 32.8% compared to the prior year and in FY16 comprised 18% of total operating EBIT before unallocated expenses (2015: 16%).

The size and scale of Goodman's management operations are important for revenue growth and during the year external AUM increased by 16% from \$25.2 billion to \$29.3 billion. This growth reflected both valuation uplifts and development completions and was notwithstanding the asset rotation initiatives undertaken across the platform. In FY16, the managed partnerships completed \$1.9 billion of asset disposals, which has provided a significant source of capital for the develop-to-hold strategy that has been widely implemented across the managed partnership platform.

Investment partners are attracted by Goodman's proven ability to drive strong ongoing total returns and deliver long-term value creation. The develop-to-hold strategy continues to improve the overall portfolio quality and therefore the maintainability of rental income, with Goodman's investment partners gaining access to growth opportunities in prime locations that are not typically available on the open market. In FY16, the continued support of global investment partners has been demonstrated by the following achievements:

- + Goodman UK Partnership (GUKP) was established with APG Asset Management and Canada Pension Plan Investment Board (CPPIB). The partnership will provide over £1 billion of investment capacity for high quality logistics and industrial opportunities in the United Kingdom;
- + Goodman and CPPIB committed a further equity allocation of US\$1.25 billion into GCLP;
- + Goodman Australia Development Partnership (GADP) with CPPIB was extended for a further 5 years;
- + The first close of GJCP's equity raising was well supported by existing and new investors, with US\$200 million raised to help fund the acquisition of new development opportunities from Goodman Japan Development Partnership (GJDP); and
- + Goodman European Partnership (GEP) was extended for a further 10 years.

Operating costs

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

Net finance expense (operating)

Net finance expense (operating), which excludes derivative mark to market and unrealised foreign exchange movements, increased compared to the prior year, principally for two reasons. The first is the impact of currency translation on the interest costs from Goodman's US dollar and Japanese yen denominated debt and the second is the lower level of capitalised interest, due to the increase in development activity undertaken directly by the managed partnerships' rather than by Goodman.

Capital management

Goodman has maintained its prudent approach to capital management.

Gearing at 30 June 2016 decreased to 11.8% (30 June 2015: 17.3%), facilitated by the receipt of \$0.8 billion proceeds from urban renewal disposals, and interest cover for FY16 was 5.5 times (2015: 6.0 times), providing significant headroom relative to the Consolidated Entity's financing covenants. Lower gearing targets are deemed appropriate by Goodman given the growth in development activity.

In FY16, \$3.1 billion of facilities with an average term of 4.5 years were procured or renewed across Goodman and its managed partnerships. At 30 June 2016, Goodman had available liquidity of \$2.6 billion and had a weighted average debt maturity profile of 4.4 years, with debt maturities fully covered up to June 2021.

As a consequence of Goodman's strong cash position, the distribution reinvestment plan is no longer in operation and the final dividend/distribution is 12.1 cents per security. The total dividends/distributions in relation to FY16 are 24.0 cents per security, with an interim distribution of 11.9 cents per security having been paid in February 2016.

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Operating and financial review (cont)

Statement of financial position

	Consolidated	
	2016	2015
	\$M	\$M
Stabilised investment properties	2,552.5	2,709.6
Cornerstone investments in managed partnerships	4,950.2	3,964.2
Development holdings	2,238.5	2,455.8
Intangible assets	780.6	976.4
Cash	1,337.0	746.5
Other assets	528.3	409.8
Total assets	12,387.1	11,262.3
Interest bearing liabilities	2,865.2	2,707.9
Other liabilities	1,128.6	1,178.3
Total liabilities	3,993.8	3,886.2
Non-controlling interests	325.8	325.8
Net assets attributable to Securityholders	8,067.5	7,050.3

The majority of the stabilised investment properties are in Australia and the carrying value has decreased by \$157.1 million to \$2,552.5 million, primarily due to the disposals of urban renewal assets in Sydney. The balance at 30 June 2016 still includes sites in Sydney with potential for urban renewal and the positive planning outcomes on these sites have resulted in valuation gains during FY16, which have partially offset the impact of the disposals.

The value of Goodman's cornerstone investments in managed partnerships increased by \$986.0 million to \$4,950.2 million, primarily due to development completions and valuation uplifts, which have offset the selective capital rotation that has continued in a number of markets.

Goodman's development holdings decreased during the year by \$217.3 million to \$2,238.5 million. This is principally due to the disposal of \$340.0 million of inventories to GCLP, partially offset by increased development activity in Continental Europe and North America.

The most significant intangible asset balances are in Continental Europe and the United Kingdom. During FY16, Goodman fully impaired the management rights in United Kingdom - Business Parks (\$204.6 million) as a result of the decision to dispose of the remaining assets in ABPP.

Interest bearing liabilities, net of cash, are \$1,528.2 million compared to \$1,961.4 million at 30 June 2015. The decrease is due to the net cash inflows from operating and investing activities of \$990.1 million during the year offset by the debt acquired with the Brazil operating platform and foreign currency translation impacts. Movements in other assets and liabilities mainly reflect the changes in Goodman's derivative financial instruments.

Cash flow

	2016	2015
	\$M	\$M
Operating cash flows	830.1	654.7
Investing cash flows	160.0	(147.8)
Financing cash flows	(399.6)	(120.3)
Net increase in cash held	590.5	386.6
Cash at the end of the year	1,337.0	746.5

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 development receipts in Greater China and New Zealand. The receipts and payments for Goodman's development activities are dependent on the timing of development completions 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 payments for equity investments of \$479.9 million included GCLP, GJDP, GUKP and Goodman North America Partnership to fund development and investing activities in those managed partnerships. This amount reflects the asset rotation that has occurred in most of Goodman's managed partnerships, with proceeds being utilised to fund developments, as well as reduce gearing in the partnerships.

Financing cash flows include the drawdowns and repayments associated with Goodman's interest bearing liabilities. The principal financing cash outflows were Goodman's distributions to Securityholders and holders of hybrid securities issued by Goodman PLUS Trust (Goodman PLUS).

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Operating and financial review (cont)

Outlook

The focused and consistent execution of Goodman's business strategy, has created a strong, globally diversified platform that will sustain earnings growth for future periods and create long-term value for Securityholders, customers and investment partners.

In FY17, Goodman will continue to target asset rotation opportunities, including urban renewal, to further improve asset and income quality across the portfolios. These proceeds will be used to reduce gearing, giving future financial flexibility to Goodman and its partnerships, and also to provide capital for reinvestment into Goodman's development business, which continues to benefit from customer demand for new modern facilities. A strong development business coupled with the demand from investment partners seeking high quality, well located industrial assets will continue to support the organic growth in assets under management.

Overall the strong contributions from development and management activities are expected to be maintained and Goodman is forecasting an operating EPS of 42.5 cents for FY17, up 6% on FY16 and will continue to target an overall pay-out ratio of 60%.

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.

Goodman Limited and its Controlled Entities
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Operating and financial review (cont)

Risks

Goodman identifies operational risks for each of its divisions as part of its strategy process. The key risks, an assessment of their likelihood of occurrence 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 in place a Risk and Compliance Committee to review and monitor all material risks in Goodman's risk management systems, including sustainability risks, work, health and safety, market risks and operational risks.

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

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

Goodman Limited and its Controlled Entities
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Dividends and distributions

Goodman Limited did not declare any dividends during the financial year. The FY16 dividends and distributions to the Consolidated Entity's Securityholders of 24.0 cents per security have been made by GIT and GLHK.

GIT has declared and accrued distributions of 23.0 cents per security (2015: 22.2 cents per security), amounting to \$408.0 million (2015: \$388.3 million).

GLHK did not declare any dividends during the financial year but subsequent to the end of the financial year the directors of GLHK have proposed a dividend of 1.0 cent per security amounting to \$17.8 million, which will be paid on 26 August 2016.

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 \$20.1 million (2015: \$21.2 million).

Securities issued on exercise of performance rights

During the financial year, the Consolidated Entity issued 9,824,337 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 rights¹	Performance hurdles²
Sep 2020	-	18,533,748	Relative TSR (25%) and operating EPS (75%)
Sep 2019	-	13,992,326	Relative TSR (25%) and operating EPS (75%)
Sep 2018	-	12,168,111	Relative TSR (25%) and operating EPS (75%)
Sep 2017	-	7,537,154	Relative TSR (25%) and operating EPS (75%)
Sep 2016	-	3,369,683	Relative TSR (25%) and operating EPS (75%)

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited. Excludes 6,907,818 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 earliest 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).

Goodman Limited and its Controlled Entities
Directors' report
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Remuneration report – audited

This remuneration report outlines the Board's remuneration policies and discloses the remuneration details for key management personnel.

The remuneration report forms part of the Directors' report and has been audited in accordance with section 308(3C) of the Corporations Act 2001.

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 Aims of the remuneration policy
- 3 Overview of remuneration enhancements and outcomes during FY16
- 4 Remuneration policy for executives
- 5 Link between remuneration outcomes and performance
- 6 Executives' remuneration (statutory analysis)
- 7 Non-Executive Directors' remuneration
- 8 Other prescribed information.

1 The role of the Remuneration and Nomination Committee

Governance	
Who are the members of the Remuneration Committee?	+ Mr Phillip Pryke (Independent Chairman of the Committee) + Mr Ian Ferrier (Independent Member) + Ms Anne Keating (Independent Member) + Ms Rebecca McGrath (Independent Member) + Mr Jim Sloman (Independent Member) The Committee members' meeting attendance record is disclosed on page 3 in the Directors' report.
Scope of work	Advise and recommend to the Board on: + remuneration policy; + remuneration arrangements for Executive Directors and other senior executives; + remuneration arrangements for Non-Executive Directors; + incentive plans, both short-term incentives (STI) and long-term incentives (LTI); + superannuation/pension entitlements; + termination payments; + oversight of performance management; + succession planning; and + other human resource related matters.
Key management personnel (KMP)	KMP are defined as those employees who have authority and responsibility for planning, directing and controlling the activities of Goodman. KMPs comprise the Executive and Non-Executive Directors of the Company and other senior executives of Goodman.

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

Goodman Limited and its Controlled Entities
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Remuneration report – audited (cont)

2 Aims of the remuneration policy

Overall aims of the remuneration policy		
Maximise the alignment of executives with Securityholders.		
+ Attract appropriately skilled and qualified executives.	→	+ The remuneration package is set at competitive levels for the market where the role is performed.
+ Encourage and reward superior performance that creates sustainable long-term returns for Securityholders.	→	+ There is significant weighting towards “at risk” remuneration components that are assessed against financial and non-financial measures consistent with Goodman's strategy.
+ Provide incentive for high performing executives to remain employed with Goodman.	→	+ LTI is a key component of the remuneration package and is delivered in Goodman securities over a five year period, provided that performance hurdles are met over a three year period.

3 Overview of remuneration enhancements and outcomes during FY16

FY16 financial performance

Goodman has delivered an operating profit of \$714.5 million for FY16, which equates to an operating EPS of 40.1 cents, up 7.8% on the prior year. Distributions to Securityholders have also increased to 24.0 cents per security (2015: 22.2 cents per security). This represents another year of consistent growth with net tangible assets per security increasing to \$4.10 from \$3.46 and headline gearing falling to 11.8%, as Goodman continues to execute on its stated strategy of rotating assets to invest in its development business, thereby improving the overall quality of its property portfolios. The Consolidated Entity's sound financial position is also reflected in Goodman's security price, which has increased to \$7.11 at 30 June 2016. The total Securityholder return for FY16 is 17.0%.

The Board considers that this represents a strong performance for FY16 and this is reflected in its award of incentives, both STI and LTI, to the executives.

Key enhancements made in FY16

As with previous years, Goodman's remuneration philosophy is to:

- + maintain fixed remuneration levels that, in general, are below or at the median level within specific local markets;
- + apply restraint to STI awards, however recognising that STI rewards employees for achievement within the performance year;
- + to use LTI (in the form of performance rights) that are exposed to the financial performance of Goodman to incentivise employees to remain employed, and to encourage commercial decisions that reflect the long-term best interests of Goodman; and
- + increase the overall proportion of “at risk” remuneration (i.e. in particular LTI) so that for executives LTI is approximately 50% of total remuneration.

To better align with current market practice, the Board has limited STI awards for executives to a maximum of 200% of fixed remuneration and has split payment into two equal instalments. In respect of the FY16 award, the first payment will be made in August 2016 and the second payment in August 2017.

In relation to overall incentive based remuneration awards for FY16, the Group Chief Executive Officer will receive no STI and instead receive all his incentive based remuneration in the form of performance rights. As a result, the Group Chief Executive Officer's remuneration has an increased “at risk” component, in that it remains subject to the achievement of performance hurdles over the longer term. As outlined above, the Board considers that this encourages commercial decisions that reflect the long-term best interests of Goodman and its Securityholders.

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Remuneration report – audited (cont)

3 Overview of remuneration enhancements and outcomes during FY16 (cont)

Principal outcomes for FY16

Remuneration element	Principal Outcomes
Fixed remuneration¹	+ Group Chief Executive Officer base pay retained at \$1.4 million, with no increase since 2008 + No increase in base pay for other senior executives for FY16
STI	+ No STI was awarded to the Group Chief Executive Officer, as all his incentive based remuneration is in the form of LTI + Based on achievement of financial and non-financial objectives, STI awards to executives are at the higher end of the cash bonus range (maximum of 200% of fixed remuneration), of which 50% will be paid after finalisation of Goodman's Annual Report in August 2016 and the remaining 50% 12 months later
LTI	+ The Board's view is that the contribution of the Group Chief Executive Officer to the success of Goodman in FY16 has been significant and the LTI award, which will be made in FY17, has been increased from 2,000,000 to 2,400,000 performance rights + Consistent with policy, the proportion of LTI as a component of executives' total remuneration has increased + Excluding the Group Chief Executive Officer, the LTI awarded to the executives is 3,450,000 performance rights + The 55.6 million performance rights on issue equal 3.1% of the 1,778.3 million Goodman securities currently on issue and is within the 5% limit adopted by the Board

1. For the purposes of the remuneration report, cash, salary sacrificed amounts and employer contributions to superannuation or pension funds are collectively referred to as "base pay".

Goodman Limited and its Controlled Entities
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Remuneration report – audited (cont)

4 Remuneration policy for executives

A summary of the key remuneration policies for the executives, reflecting the FY16 changes, is set out below:

Remuneration components		
Fixed remuneration	STI	LTI
+ Fixed remuneration package includes cash, non-cash benefits and employer contributions to superannuation or pension funds. + Fixed remuneration continues to be at or below median against selected comparator group.	+ Discretionary, at risk, cash bonus awarded to executives when Goodman achieves a target operating EPS. + Rewards specific achievement against financial and non-financial performance objectives within a defined period. + STI awards to executives will not exceed 200% of base pay. + Executives' STI is subject to deferral so that 50% is paid on finalisation of Goodman's Annual Report and 50% is paid 12 months later.	+ Discretionary award, at risk and delivered in Goodman securities to align with interests of Securityholders. + Vesting determined by cumulative performance against operating EPS and relative total securityholder returns. + Assessed over a three year performance period. + No value derived unless cumulative performance hurdles are met or exceeded. + Vesting occurs in equal tranches at the end of years three, four and five.

Other key aspects of executive's remuneration		
Service contracts Executives are engaged under written employment contracts until notice is given by either Goodman or the executive, as set out below:		
	Notice period	
	Company	Executive
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 Vrontas	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.		

**Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016**

Remuneration report – audited (cont)

4 Remuneration policy for executives (cont)

Other key aspects of executive's remuneration (cont)

Short-term incentive

Financial targets

Financial targets include operating EPS, return on assets, net tangible assets per security and gearing across the Consolidated Entity.

However, STI awards to executives are dependent on Goodman achieving an operating EPS target. The Board considers that operating EPS measures the direct contribution of executives to the financial performance of Goodman. Strong performance in operating EPS generally correlates with stronger returns to Securityholders and, subject to market factors and conditions, security price increases.

The operating profit target is set at the start of the financial year with reference to appropriate returns for Goodman's business segments, having regard to the stage of the property cycle, general economic conditions and growing the business in a prudent manner.

Non-financial targets

Non-financial targets include execution of strategic initiatives which position Goodman for future sustainable growth, implementation of business process improvement initiatives and appropriate compliance and risk management controls.

In addition to the above, the performance of executives against behavioural expectations outlined within Goodman's Corporate Values has been considered in the determination of remuneration outcomes. The Board considers that executives should demonstrate high standards of personal behaviour that are consistent with these values and therefore places emphasis upon these characteristics.

Discretionary nature of award

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 and payment of STI awards for executives, even where Goodman's financial metrics may not have been met or other adverse circumstances occur. Conversely, awards of STI may be withheld notwithstanding that targets may have been met.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Remuneration report – audited (cont)

4 Remuneration policy for executives (cont)

Other key aspects of executives' remuneration (cont)

Long-term incentive

The LTIP was last approved by Securityholders in 2015. There have been no alterations or modifications to prior year awards under the LTIP.

Performance hurdles

The LTIP incorporates both an operating EPS and a relative TSR hurdle.

The operating EPS hurdle, which applies to 75% of each award, requires that the actual operating EPS over a three year period meets the cumulative target set by the Board. The target for each financial year is the same as that used for the purpose of the STI and is set at the start of each financial year.

In determining operating EPS, the share based payments expense is excluded from operating profit as the performance rights are generally settled through the issue of new securities, and those performance rights which as at the start of the financial year have achieved the required performance hurdles but have not yet vested are included in the weighted average number of securities, reflecting the future dilution impact on Securityholders. For FY16, the 1,781.2 million weighted average securities used in calculating operating EPS, includes securities that have vested during the year plus 10.9 million securities which have achieved the required performance hurdles and will vest in September 2016 and September 2017.

The method for calculating the operating EPS has been applied consistently throughout the period in which the LTIP has been in place and the methodology is used for setting the target and financial performance forecast at the commencement of each financial year.

The relative TSR 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.

Vesting

The operating EPS 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. 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 relative TSR performance 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 76th percentile; and
- + from the 76th percentile and above, there is 100% vesting.

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.

Vesting of all performance rights is contingent on executives remaining employed by Goodman at the relevant vesting dates at the end of years three, four and five. As a result, in order to derive the full benefits of an award, an executive must remain employed over a five year vesting period.

Hedging of unvested performance rights

The Board's policy set out in the Securities Trading Policy is that executives may not 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 employment, executives are required to comply with Goodman's policies.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Remuneration report – audited (cont)

5 Link between remuneration outcomes and performance

Key financial performance measures

The operating profit, operating EPS, total Securityholder return and other key financial performance measures over the last five years are set out below:

	2012	2013	2014	2015	2016
Operating profit (\$M)	463.4	544.1	601.1	653.5	714.5
Operating EPS (¢)	30.5	32.4	34.8	37.2	40.1
Security price (\$)	3.67	4.88	5.05	6.27	7.11
Dividends/distributions per security (¢)	18.0	19.4	20.7	22.2	24.0
TSR ¹ (%)	7.3	34.0	10.7	30.0	17.0
Net tangible assets per security (\$)	2.54	2.69	2.88	3.46	4.10
Gearing (%)	23.9	18.5	19.5	17.3	11.8

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.

The use of “at risk” remuneration that incorporates a strong focus on continued improvement in operating EPS over the long term has driven decision making that aims at sustainable 6% operating earnings growth. This has benefited Securityholders through the increasing distributions and security price which together have resulted in an average 19.8% per annum total Securityholder return over the last five years.

Group Chief Executive Officer remuneration

The non-statutory analysis below sets out the Group Chief Executive Officer's “cash” remuneration in each of the past five financial years. This includes the base pay and cash bonus (STI) that relate to each financial year plus the value of the performance rights (LTI) that vested during the financial year. This value of performance rights is determined by multiplying the number of securities that vested by the market price of the securities at the date of vesting. This is different from the statutory presentation of remuneration included on page 24, where the values of the performance rights are determined using option pricing models at the date the award is made and then amortised over the vesting periods.

Group Chief Executive Officer remuneration

- non-statutory	2012	2013	2014	2015	2016
Base pay (\$M)	1.4	1.4	1.4	1.4	1.4
STI (\$M)	2.8	2.5	2.4	2.2	-
LTI - vested during the year (\$M)	-	1.0	2.3	4.6	5.2
Total remuneration (\$M)	4.2	4.9	6.1	8.2	6.6
Proportion of STI and LTI (%)	66.7	71.4	77.0	82.9	78.8
Proportion of LTI (%)	-	20.4	37.7	56.1	78.8

Over the five year period, the level of STI has generally been at the upper end of the bonus range in line with the operational achievements. However, in FY16 the Group Chief Executive Officer has not received any STI but instead will receive all his incentive based remuneration in the form of “at risk” LTI, with the relevant award of performance rights to be made in FY17.

In respect of the vested LTI, \$5.2 million (2015: \$4.6 million) of performance rights vested during FY16, based on the mid-market price of a Goodman security of \$5.96 at the vesting date on 1 September 2015. The increase in the cash value of the LTI is due to both an increase in the number of performance rights awarded and the increase in the Goodman security price, reflecting the consistently strong performance over the past five years.

Short term incentive awards to executives

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.

For FY16, the Committee considered that the performance of the executives in relation to various strategic initiatives represented an overall performance that achieved the agreed performance targets and STI awards for the executives are towards the upper end of the cash bonus range.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Remuneration report – audited (cont)

5 Link between remuneration outcomes and performance (cont)

A summary of the key operational achievements under the integrated business model for FY16 is set out below:

Integrated business model achievements for FY16			
Delivered a 7.8% increase in Goodman's operating EPS from 37.2 cents to 40.1 cents			
Investment	Development	Management	Capital management
+ Maintained an overall leasing occupancy rate of 96% with retention levels at 79%. + Achieved like-for-like rental growth of 1.9%. + Disposals of \$2.2 billion of properties, excluding urban renewal, from both Goodman's and the managed partnerships' portfolios. + Settled \$0.8 billion of urban renewal sites.	+ Increased development work in progress to \$3.4 billion across 81 projects in 14 countries with a forecast yield on cost of 7.8%. + Increased return on capital for developments. + Managed speculative developments within Board approved limits through developments within partnerships, pre-commitments and pre-sales.	+ Maintained the disciplined approach to ensuring investments meet required investment hurdles and delivered average total returns in excess of 20% across the managed partnerships. + Capitalised on market demand for industrial properties with \$1.8 billion of asset rotation by the managed partnerships to third parties. + Notwithstanding the asset rotation, increased external AUM to \$29.3 billion across 16 managed partnerships. + Raised a total of \$2.3 billion of new third party equity capital across the managed partnerships. + Maintained strong relationships with investment partners. At 30 June 2016, Goodman had 52 investment partners with an average investment size of \$274 million.	+ Improved operating EPS by 7.8% while decreasing Goodman's headline gearing to 11.8%. + Maintained available liquidity of \$2.6 billion covering maturities up to June 2021. + Renewed and extended the maturities of bank facilities. + Procured and renewed debt facilities of \$3.1 billion, with average term of 4.5 years, across Goodman and its managed partnerships.
+ Behavioural expectations consistent with Goodman's Corporate Values, which are ensuring a customer focused, results driven organisation with consideration of transparency, innovation, respect and partnership. + Deployment of business process improvement activities e.g. information technology optimisation programmes			

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Remuneration report – audited (cont)

5 Link between remuneration outcomes and performance (cont)

Long-term incentive awards to executives

While executives are awarded performance rights (under the LTIP) in recognition of current performance, vesting is dependent on the achievement of cumulative operating EPS and/or relative TSR performance hurdles accrued over a three year period as well as continued employment at the time of vesting of each tranche at the end of years three, four and five.

Proposed awards of performance rights in FY17

The awards of performance rights that the Board intends to make in FY17 with regard to the executives' performance in FY16 are set out below. These proposed awards are not reflected in the current year statutory or non-statutory remuneration tables as they did not occur prior to 30 June 2016.

	Number of performance rights
Executive Directors	
Mr Gregory Goodman	2,400,000
Mr Anthony Rozic	700,000
Mr Danny Peeters	600,000
Other senior executives	
Mr Nick Kurtis	700,000
Mr Nick Vrontas	750,000
Mr Jason Little	700,000

On 8 July 2016, Mr Philip Pearce stepped down from his role as Managing Director Greater China, to focus on health related issues. Effective 12 July 2016, he also resigned as a director of Goodman Limited and ceased to be a KMP on that date. As a consequence, Mr Philip Pearce will not receive an award of performance rights in FY17.

Summary of performance relative to the hurdles for the LTIP grants

2014 LTIP grant (with a performance testing period that ended on 30 June 2016)

Performance rights awarded in FY14 have a performance period ended 30 June 2016. Details of the performance relative to the hurdles are set out below:

Hurdle	Target	Actual	Out- performance	Vested (%)	Weighting (%)	Vesting outcome (%)
Operating EPS						
FY14	34.3 cps	34.8 cps	0.5 cps			
FY15	36.9 cps	37.2 cps	0.3 cps			
FY16	39.4 cps	40.1 cps	0.7 cps			
Aggregate	110.6 cps	112.1 cps	1.5 cps	100.0	75.0	75.0
Relative TSR						
1 July 2013 to 30 June 2016	50th percentile	65th percentile	n/a	78.0	25.0	19.5
Total vesting						94.5

Based on the achievement of the performance hurdles, 94.5% of the FY14 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 2016. Executives must remain employed on each of the three vesting dates in September 2016, 2017 and 2018 respectively for the performance rights to vest.

2015 and 2016 LTIP grants

For the grants made in FY15 and FY16, the performance periods run to 30 June 2017 and 30 June 2018 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 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.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Remuneration report – audited (cont)

5 Link between remuneration outcomes and performance (cont)

Long-term incentive awards to executives (cont)

The movements in the number of performance rights during FY16 are summarised as follows:

	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	2016	3,763,653	2,000,000	(877,674)	-	4,885,979
	2015	3,601,700	995,476	(828,624)	(4,899)	3,763,653
Mr Anthony Rozic	2016	1,932,551	600,000	(486,992)	-	2,045,559
	2015	1,898,241	542,987	(506,079)	(2,598)	1,932,551
Mr Philip Pearce	2016	1,374,438	450,000	(216,954)	-	1,607,484
	2015	1,071,704	497,738	(194,005)	(999)	1,374,438
Mr Danny Peeters	2016	1,887,302	450,000	(486,992)	-	1,850,310
	2015	1,909,441	497,738	(517,279)	(2,598)	1,887,302
Other senior executives						
Mr Nick Kurtis	2016	1,932,551	750,000	(486,992)	-	2,195,559
	2015	1,898,241	542,987	(506,079)	(2,598)	1,932,551
Mr Nick Vrontas	2016	1,600,210	750,000	(349,750)	-	2,000,460
	2015	1,460,461	497,738	(356,189)	(1,800)	1,600,210
Mr Jason Little	2016	1,142,838	450,000	(210,263)	-	1,382,575
	2015	945,494	395,928	(197,585)	(999)	1,142,838

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Remuneration report – audited (cont)

6 Executives' remuneration (statutory analysis)

Details of the nature and amount of each major element of the remuneration of each executive, as calculated under Australian Accounting Standards, are set out below:

Executives		Short-term				Long-term			Share based payments	Performance related		
		Salary and fees ¹	Bonus (STI) ²	Other ³	Total	Superannuation benefits	Bonus (STI) ²	Other ³	Performance rights (LTI) ⁴	Total	STI + LTI as percentage of total	LTI as percentage of total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Mr Gregory Goodman,	2016	1,392,262	-	15,594	1,407,856	19,308	-	24,841	4,791,688	6,243,693	76.7%	76.7%
Group Chief Executive Officer	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%
Mr Anthony Rozic,	2016	651,895	-	18,010	669,905	19,308	1,400,000	12,421	1,934,123	4,035,757	82.6%	47.9%
Deputy Group Chief Executive Officer	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%
Mr Nick Kurtis,	2016	692,228	-	18,010	710,238	19,308	1,400,000	12,418	2,033,093	4,175,057	82.2%	48.7%
Group Head of Equities, Investment Management	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%
Mr Nick Vrontas,	2016	595,537	-	16,500	612,037	19,308	1,200,000	10,644	1,875,248	3,717,237	82.7%	50.4%
Group 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%
Mr Jason Little,	2016	486,866	-	-	486,866	19,308	1,000,000	8,872	1,306,337	2,821,383	81.7%	46.3%
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%
Mr Philip Pearce ⁵ ,	2016	715,207	1,050,000	-	1,765,207	3,184	-	-	1,564,849	3,333,240	78.4%	46.9%
Managing Director, Greater China	2015	686,526	1,300,000	-	1,986,526	2,775	-	-	1,218,081	3,207,382	78.5%	38.0%
		€	€	€	€	€	€	€	€	€		
Mr Danny Peeters ⁶ ,	2016	564,950	-	-	564,950	-	1,000,000	-	1,129,573	2,694,523	79.0%	41.9%
Executive Director, Corporate	2015	559,655	915,000	-	1,474,655	-	-	-	1,038,190	2,512,845	77.7%	41.3%

- Salary and fees represent the amounts due under the terms of executives' service contracts and include movements in annual leave provisions during the financial year.
- In FY16, a change in remuneration policy has resulted in part of the executives' bonus award being subject to deferral, with awards paid in two instalments, 50% on finalisation of the FY16 Annual Report and 50% 12 months later. Under Australian Accounting Standards, the entire bonus award is now considered as a long-term benefit with regard to the disclosure of individual executive's remuneration. No bonuses were forfeited during the financial year.
- Other includes reportable fringe benefits, car parking and changes in long service leave balances.
- Performance rights are a long-term incentive and in accordance with Australian Accounting Standards, the values of the awards, determined using option pricing models, are amortised in the income statement over the vesting periods.
- Mr Philip Pearce has stood down from his duties for health reasons and resigned as a director of Goodman Limited on 12 July 2016. He remains an employee of Goodman on sick leave and, having regard to the seriousness of the health issues, this period is expected to last at least 12 months and may be extended up to two years. His entire FY16 bonus award will be paid without partial deferment in common with other employees.
- The remuneration of Mr Danny Peeters is disclosed in Euros, the currency in which his base pay and bonus are determined. The value attributed to his performance rights is translated from Australian dollars at the weighted average rate for the financial year.

Goodman Limited and its Controlled Entities
Directors' report
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Remuneration report – audited (cont)

7 Non-Executive Directors' remuneration

Remuneration policy

Non-executive directors	
Key elements of Non-Executive Director Remuneration policy	+ The policy is structured to ensure independence of judgement in the performance of their duties. + Non-Executive Directors receive fixed fees for being on the Board and additional fees for membership of committees. + The fees take into account the size and scope of Goodman's activities and the responsibilities and experience of the directors. Periodically, these fees are benchmarked against data for comparable entities provided by external advisers. + As approved by Securityholders at the 2006 Annual General Meeting, total remuneration (including superannuation) 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' remuneration was \$2.1 million. + The increase in Non-Executive Director fees compared to the prior financial year is due to the 5% increase in both base fees and Board committee fees from 1 July 2015. + Non-Executive Directors are not entitled to participate in any STI or LTI schemes which may otherwise be perceived to create a bias when overseeing executive decision making. + 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 Goodman securities so that they have an alignment of interests with those of Securityholders. Under the policy, each Non-Executive Director is required to acquire securities such that their holding is equal in value to 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.

Board and committee annual fees

		Board	Audit	Risk and	Remuneration
		\$	Committee	Compliance	and Nomination
		\$	\$	Committee	Committee
		\$	\$	\$	\$
Chairman	2016	550,000	37,500	37,500	37,500
	2015	530,450	36,050	36,050	36,050
Member	2016	200,000	22,500	22,500	22,500
	2015	193,614	20,600	20,600	20,600

Goodman Limited and its Controlled Entities
Directors' report
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Remuneration report – audited (cont)

7 Non-Executive Directors' remuneration (cont)

Non-Executive Directors' remuneration (statutory analysis)

Details of the nature and amount of each major element of the remuneration of Non-Executive Directors, as calculated under Australian Accounting Standards, are set out below:

Non-Executive Directors		Salary and Superannuation		Total²
		fees	benefits	
		\$	\$	\$
Mr Ian Ferrier	2016	530,692	19,308	550,000
	2015	511,667	18,783	530,450
Mr Philip Fan	2016	245,000	-	245,000
	2015	234,814	-	234,814
Mr John Harkness	2016	240,692	19,308	260,000
	2015	240,686	18,783	259,469
Ms Anne Keating	2016	225,692	19,308	245,000
	2015	216,031	18,783	234,814
Ms Rebecca McGrath	2016	240,692	19,308	260,000
	2015	222,275	18,783	241,058
Mr Phillip Pryke ¹	2016	318,655	19,308	337,963
	2015	314,904	18,783	333,687
Mr Jim Sloman	2016	225,692	19,308	245,000
	2015	216,031	18,783	234,814

1. Salary and fees for Mr Phillip Pryke include an amount of A\$77,963 (NZ\$85,000) (2015: A\$83,426 (NZ\$89,725)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.
2. The Non-Executive Directors do not receive any incentive based remuneration.

Goodman Limited and its Controlled Entities
Directors' report
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Remuneration report – audited (cont)

8 Other prescribed information

Analysis of performance rights over Goodman securities

Details of the awards of 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	2,000,000	25 Nov 2015	2016	4.44	8,880,000	-	-	-	-	2019 – 2021	1 Sep 2020
	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	-	33.3	-	1,841,938	2016 – 2018	1 Sep 2017
	980,000	25 Nov 2011	2012	2.12	2,077,600	33.2	33.2	0.5	1,937,203	2015 – 2017	1 Sep 2016
Mr Anthony Rozic	730,770	1 Feb 2011	2011	2.80	2,046,156	66.7	33.3	-	1,451,796	2014 – 2016	1 Sep 2015
	600,000	25 Nov 2015	2016	4.44	2,664,000	-	-	-	-	2019 – 2021	1 Sep 2020
	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	-	33.3	-	920,969	2016 – 2018	1 Sep 2017
Mr Philip Pearce	520,000	30 Sep 2011	2012	2.04	1,060,800	33.2	33.2	0.5	1,027,903	2015 – 2017	1 Sep 2016
	480,000	1 Feb 2011	2011	2.80	1,344,000	66.7	33.3	-	953,600	2014 – 2016	1 Sep 2015
	450,000	25 Nov 2015	2016	4.44	1,998,000	-	-	-	-	2019 – 2021	1 Sep 2020
	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
Mr Danny Peeters	298,013	16 Nov 2012	2013	3.37	1,004,304	-	33.3	-	592,049	2016 – 2018	1 Sep 2017
	200,000	30 Sep 2011	2012	2.04	408,000	33.2	33.2	0.5	395,351	2015 – 2017	1 Sep 2016
	153,847	1 Feb 2011	2011	2.80	430,772	66.7	33.3	-	305,647	2014 – 2016	1 Sep 2015
	450,000	25 Nov 2015	2016	4.44	1,998,000	-	-	-	-	2019 – 2021	1 Sep 2020
	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	-	33.3	-	920,969	2016 – 2018	1 Sep 2017
	520,000	30 Sep 2011	2012	2.04	1,060,800	33.2	33.2	0.5	1,027,903	2015 – 2017	1 Sep 2016
	480,000	1 Feb 2011	2011	2.80	1,344,000	66.7	33.3	-	953,600	2014 – 2016	1 Sep 2015

Refer to page 28 for explanatory footnotes.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Remuneration report – audited (cont)

8 Other prescribed information (cont)

Analysis of performance rights over Goodman securities (cont)

	Number of performance rights granted	Date of performance rights granted	Financial year	Fair value per performance right ¹ \$	Total value of performance rights granted ¹ \$	Vested in prior years (%)	Vested in the year (%) ²	Forfeited (%)	Value of performance rights vested in the year ³ \$	Financial years in which grant vests	Expiry date ⁴
Other senior executives											
Mr Nick Kurtis	750,000	23 Sep 2015	2016	4.06	3,045,000	-	-	-	-	2019 – 2021	1 Sep 2020
	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	-	33.3	-	920,969	2016 – 2018	1 Sep 2017
	520,000	30 Sep 2011	2012	2.04	1,060,800	33.2	33.2	0.5	1,027,903	2015 – 2017	1 Sep 2016
Mr Nick Vrontas	480,000	1 Feb 2011	2011	2.80	1,344,000	66.7	33.3	-	953,600	2014 – 2016	1 Sep 2015
	750,000	23 Sep 2015	2016	4.06	3,045,000	-	-	-	-	2019 – 2021	1 Sep 2020
	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	-	33.3	-	789,402	2016 – 2018	1 Sep 2017
Mr Jason Little	360,000	30 Sep 2011	2012	2.04	734,400	33.2	33.2	0.5	711,624	2015 – 2017	1 Sep 2016
	293,700	1 Feb 2011	2011	2.80	822,360	66.7	33.3	-	583,484	2014 – 2016	1 Sep 2015
	450,000	23 Sep 2015	2016	4.06	1,827,000	-	-	-	-	2019 – 2021	1 Sep 2020
	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	-	33.3	-	460,487	2016 – 2018	1 Sep 2017
	200,000	30 Sep 2011	2012	2.04	408,000	33.2	33.2	0.5	395,351	2015 – 2017	1 Sep 2016
	200,000	1 Feb 2011	2011	2.80	560,000	66.7	33.3	-	397,329	2014 – 2016	1 Sep 2015

Notes in relation to the table analysis of performance rights over Goodman 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 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 securities issued during the financial year.
3. The value of performance rights vested is calculated using the closing price on the ASX of \$5.96 on 1 September 2015, the day the performance rights vested.
4. As Goodman securities are automatically issued to employees when the performance rights vest, the expiry date is deemed to be the vesting date.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Remuneration report – audited (cont)

8 Other prescribed information (cont)

Movement in Goodman securities

The movement during the financial year in the number of Goodman securities held, directly, indirectly or beneficially, by each KMP, 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	2016	159,309	-	16,603	-	175,912
	2015	141,674	-	17,635	-	159,309
Mr Philip Fan	2016	59,463	-	13,495	-	72,958
	2015	17,103	-	42,360	-	59,463
Mr John Harkness	2016	92,666	-	3,231	-	95,897
	2015	89,369	-	3,297	-	92,666
Ms Anne Keating	2016	64,033	-	-	-	64,033
	2015	64,033	-	-	-	64,033
Ms Rebecca McGrath	2016	20,395	-	6,011	-	26,406
	2015	14,336	-	6,059	-	20,395
Mr Phillip Pryke	2016	108,232	-	6,000	-	114,232
	2015	108,232	-	-	-	108,232
Mr Jim Sloman	2016	83,244	-	4,884	-	88,128
	2015	77,745	-	5,499	-	83,244
Executive Directors						
Mr Gregory Goodman	2016	41,476,923	877,674	-	(4,370,000)	37,984,597
	2015	45,583,572	828,624	-	(4,935,273)	41,476,923
Mr Anthony Rozic	2016	539,690	486,992	-	(172,500)	854,182
	2015	333,611	506,079	-	(300,000)	539,690
Mr Philip Pearce	2016	178,803	216,954	-	(170,757)	225,000
	2015	164,798	194,005	-	(180,000)	178,803
Mr Danny Peeters	2016	896,903	486,992	-	-	1,383,895
	2015	679,624	517,279	-	(300,000)	896,903
Other senior executives						
Mr Nick Kurtis	2016	517,333	486,992	-	(474,226)	530,099
	2015	247,202	506,079	3,902	(239,850)	517,333
Mr Nick Vrontas	2016	300,000	349,750	-	(449,750)	200,000
	2015	279,848	356,189	-	(336,037)	300,000
Mr Jason Little	2016	197,585	210,263	-	-	407,848
	2015	-	197,585	-	-	197,585

Movement in hybrid securities issued by Goodman PLUS Trust

Three of the executives hold, directly or beneficially, hybrid securities issued by Goodman PLUS Trust. The movements during the financial year in the number of securities held by those executives, including their related parties, are as follows:

	Year	Held at the start of the year	Acquisitions	Held at the end of the year
Mr Anthony Rozic	2016	1,000	-	1,000
	2015	1,000	-	1,000
Mr Philip Pearce	2016	-	1,646	1,646
	2015	-	-	-
Mr Nick Vrontas	2016	120	-	120
	2015	120	-	120

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.

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

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.

**Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016**

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 12 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 (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 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 17 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 partnerships of the Consolidated Entity.

Mr Philip Fan – Independent Director
Member of the Audit Committee and Risk and Compliance Committee
Appointed 1 December 2011; Tenure 4 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 a 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 Member of the Risk and Compliance Committee
Appointed 23 February 2005; Tenure 11 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.

**Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016**

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

Board of Directors (cont)

Ms Anne Keating – Independent Director

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

Appointed 23 February 2005; Tenure 11 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, the Australian arm of the global investment bank, Houlihan Lokey, based in Los Angeles. Anne was formerly a director of Ardent Leisure Group (March 1998 to September 2014) and ClearView Wealth Limited (November 2010 to October 2012) and, prior to that, of Spencer Street Station Redevelopment Holdings Limited, Insurance Australia Group Limited and STW Limited.

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

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

Appointed 3 April 2012; Tenure 4 years, 3 months

Rebecca is currently a director of Incitec Pivot Limited (since September 2011) and OZ Minerals Limited (since November 2010). Rebecca is also currently a director of CSR Limited (since February 2012) and has announced her retirement from that Board. In addition, Rebecca is a director of Barristers' Chambers Limited and of Scania Australia Pty Limited. Rebecca is also Chairman of Project New Dawn Ltd, a social welfare not for profit. In addition, Rebecca is a director of Barristers' Chambers Limited and of Scania Australia Pty Limited. Rebecca is also Chairman of Project New Dawn Ltd, a social welfare not for profit. During her executive career at BP plc she held numerous senior roles in finance, operations, corporate planning, project management and marketing in Australasia, the UK, and Europe. Her most recent executive experience was as Chief Financial Officer of BP Australasia.

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

Mr Philip Pearce – Managing Director, Greater China

Appointed 1 January 2013; Tenure 3 years, 6 months

Resigned 12 July 2016

Philip was responsible for the strategic development and continued expansion of the Goodman's 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 holds a Bachelor of Commerce and Graduate Diploma in Finance and Investment.

Mr Danny Peeters – Executive Director, Corporate

Appointed 1 January 2013; Tenure 3 years, 6 months

Danny has oversight of Goodman's European and Brazilian operations and strategy. Danny has been with Goodman since 2006 and has 17 years of experience in the property and logistics sectors. Danny is a director and/or representative of Goodman's fund management entities, subsidiaries and partnerships 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.

**Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016**

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

Board of Directors (cont)

Mr Phillip Pryke – Independent Director

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

Appointed 13 October 2010; Tenure 5 years, 9 months

Phillip is a director of North Ridge Partners Pty Limited and Tru-Test Corporation 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 Deputy Chairman and Lead Independent Director of New Zealand Exchange listed Contact Energy Limited.

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 3 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, compliance, insurance, sustainability and health & safety. 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' 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 Goodman's subsidiaries and was recently responsible for establishing the Goodman'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 10 years, 5 months

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

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

Company Secretary

Mr Carl Bicego – Company Secretary

Appointed 24 October 2006

Carl is the Company Secretary of the Company and its Australian controlled entities, as well as Legal Counsel – Head of Corporate. He has over 18 years of legal experience in corporate law and joined Goodman from law firm Allens in 2006. Carl holds a Master of Laws and Bachelor of Economics/Bachelor of Laws (Hons).

Goodman Limited and its Controlled Entities
Directors' report
for the year ended 30 June 2016

Events subsequent to balance date

On 11 August 2016, GLHK proposed a dividend of 1.0 cent per security to be paid on 26 August 2016.

In the opinion of the Directors, other than the declaration of the dividend, there were no other 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 Group 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 2016 have been properly maintained and the financial report for the year ended 30 June 2016 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 35 and forms part of this Directors' report for the financial year.

Rounding

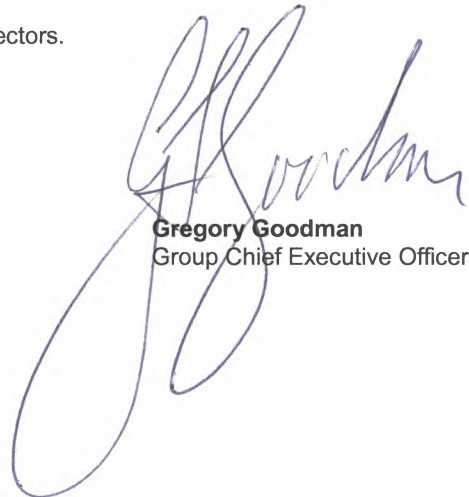
The Consolidated Entity is an entity of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument, amounts in this Directors' report and the consolidated 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, 11 August 2016



Gregory Goodman
Group Chief Executive Officer



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

To: the directors of Goodman Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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

11 August 2016

Goodman Limited and its Controlled Entities
Consolidated statement of financial position
as at 30 June 2016

		Consolidated	
	Note	2016 \$M	2015 \$M
Current assets			
Cash	17(a)	1,337.0	746.5
Receivables	7	403.2	344.8
Inventories	6(b)	687.0	364.3
Current tax receivables	5(c)	0.9	13.6
Other financial assets	13	-	4.4
Other assets		15.7	13.8
Total current assets		2,443.8	1,487.4
Non-current assets			
Receivables	7	34.3	45.7
Inventories	6(b)	688.8	1,067.4
Investment properties	6(b)	2,720.7	2,906.0
Investments accounted for using the equity method	6(b)	5,348.1	4,508.8
Deferred tax assets	5(d)	12.3	16.7
Other financial assets	13	330.1	234.8
Plant and equipment		19.7	17.5
Intangible assets	10	780.6	976.4
Other assets		8.7	1.6
Total non-current assets		9,943.3	9,774.9
Total assets		12,387.1	11,262.3
Current liabilities			
Payables	8	407.4	371.4
Current tax payables	5(c)	62.1	42.9
Interest bearing liabilities	12	20.3	-
Provisions	9	211.5	207.1
Other financial liabilities	13	0.1	50.5
Total current liabilities		701.4	671.9
Non-current liabilities			
Payables	8	85.1	100.8
Interest bearing liabilities	12	2,844.9	2,707.9
Deferred tax liabilities	5(d)	44.7	5.6
Provisions	9	43.4	52.7
Other financial liabilities	13	274.3	347.3
Total non-current liabilities		3,292.4	3,214.3
Total liabilities		3,993.8	3,886.2
Net assets		8,393.3	7,376.1
Equity attributable to Goodman Limited (GL)			
Issued capital	16(a)	483.2	471.1
Reserves	18	(24.1)	(508.8)
Retained earnings	19	(11.7)	398.7
Total equity attributable to GL		447.4	361.0
Equity attributable to Goodman Industrial Trust (GIT) (non-controlling interests)			
Issued capital	16(a)	6,914.1	6,842.3
Reserves	18	(47.3)	272.9
Accumulated losses	19	(344.0)	(1,338.5)
Total equity attributable to GIT		6,522.8	5,776.7
Equity attributable to Goodman Logistics (HK) Limited (GLHK) (non-controlling interests)			
Issued capital	16(a)	634.4	622.8
Reserves	18	104.2	103.5
Retained earnings	19	358.7	186.3
Total equity attributable to GLHK		1,097.3	912.6
Total equity attributable to Securityholders		8,067.5	7,050.3
Other non-controlling interests	20	325.8	325.8
Total equity		8,393.3	7,376.1

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

Goodman Limited and its Controlled Entities
Consolidated income statement
for the year ended 30 June 2016

		Consolidated	
		2016	2015
	Note	\$M	\$M
Revenue			
Gross property income		204.6	206.1
Management income		259.3	215.3
Development income	2	1,250.4	763.7
		1,714.3	1,185.1
Property and development expenses			
Property expenses		(63.9)	(59.4)
Development expenses	2	(929.1)	(619.0)
		(993.0)	(678.4)
Other income			
Net gain from fair value adjustments on investment properties	6(e)	327.8	515.9
Net gain on disposal of investment properties		18.1	7.8
Net (loss)/gain on disposal of controlled entities	2	(2.3)	33.3
Share of net results of equity accounted investments	2	928.6	614.1
Net (loss)/gain on disposal of equity investments	2	(42.5)	0.4
		1,229.7	1,171.5
Other expenses			
Employee expenses	2	(172.6)	(144.8)
Share based payments expense	2	(66.9)	(51.0)
Administrative and other expenses		(79.1)	(76.2)
Impairment losses	2	(249.1)	(28.2)
		(567.7)	(300.2)
Profit before interest and tax		1,383.3	1,378.0
Net finance income/(expense)			
Finance income	11	114.6	59.8
Finance expense	11	(127.6)	(187.6)
Net finance expense		(13.0)	(127.8)
Profit before income tax		1,370.3	1,250.2
Income tax expense	5	(75.6)	(21.0)
Profit for the year		1,294.7	1,229.2
(Loss)/profit attributable to GL	19	(131.9)	219.9
Profit attributable to GIT (non-controlling interests)	19	1,232.4	903.3
Profit attributable to GLHK (non-controlling interests)	19	174.1	84.8
Profit attributable to Securityholders		1,274.6	1,208.0
Profit attributable to other non-controlling interests		20.1	21.2
Profit for the year		1,294.7	1,229.2
Basic profit per security (¢)	3	72.0	69.2
Diluted profit per security (¢)	3	69.8	67.1

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

Goodman Limited and its Controlled Entities
Consolidated statement of comprehensive income
for the year ended 30 June 2016

		Consolidated	
		2016	2015
	Note	\$M	\$M
Profit for the year		1,294.7	1,229.2
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)	(0.4)	(9.1)
Effect of foreign currency translation	18(e)	4.3	(2.8)
		3.9	(11.9)
Items that are or may be reclassified subsequently to profit or loss			
Decrease due to revaluation of other financial assets	18(a)	(0.1)	(0.1)
Cash flow hedges:			
- Change in value of financial instruments	18(b)	(0.9)	0.8
- Transfers from cash flow hedge reserve	18(b)	-	4.1
Effect of foreign currency translation	18	(33.4)	207.1
Transfers to the income statement from foreign currency translation reserve	18(c)	34.3	-
		(0.1)	211.9
Other comprehensive income for the year, net of income tax		3.8	200.0
Total comprehensive income for the year		1,298.5	1,429.2
Total comprehensive income attributable to GL		43.6	129.3
Total comprehensive income attributable to GIT (non-controlling interests)		1,066.1	1,169.4
Total comprehensive income attributable to GLHK (non-controlling interests)		168.7	109.3
Total comprehensive income attributable to Securityholders		1,278.4	1,408.0
Total comprehensive income attributable to other non-controlling interests		20.1	21.2
Total comprehensive income for the year		1,298.5	1,429.2

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

Goodman Limited and its Controlled Entities
Consolidated statement of changes in equity
for the year ended 30 June 2016

Year ended 30 June 2015

Consolidated		Attributable to Securityholders			Other non-controlling interests	Total equity
		Issued capital	Reserves	Accumulated losses		
	Note	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2014		7,846.9	(1,330.5)	(611.8)	325.8	6,230.4
Total comprehensive income for the year						
Profit for the year	19, 20	-	-	1,208.0	21.2	1,229.2
Other comprehensive income for the year, net of income tax		-	200.0	-	-	200.0
Total comprehensive income for the year, net of income tax		-	200.0	1,208.0	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
- Issue costs due to stapled securities	16(a)	(0.1)	-	-	-	(0.1)
- Distributions declared on stapled securities	15	-	-	(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
Balance at 30 June 2015		7,936.2	(132.4)	(753.5)	325.8	7,376.1

Year ended 30 June 2016

Consolidated		Attributable to Securityholders			Other non-controlling interests	Total equity
		Issued capital	Reserves	(Accumulated losses)/ retained earnings		
	Note	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2015		7,936.2	(132.4)	(753.5)	325.8	7,376.1
Total comprehensive income for the year						
Profit for the year	19, 20	-	-	1,274.6	20.1	1,294.7
Other comprehensive income for the year, net of income tax		-	3.8	-	-	3.8
Total comprehensive income for the year, net of income tax		-	3.8	1,274.6	20.1	1,298.5
Transfers		-	110.1	(110.1)	-	-
Contributions by and distributions to owners						
- Distribution reinvestment plan	16(a)	95.5	-	-	-	95.5
- Distributions declared on stapled securities	15	-	-	(408.0)	-	(408.0)
- Distributions paid on Goodman PLUS	20	-	-	-	(20.1)	(20.1)
- Equity settled share based payments expense recognised in the income statement	2	-	51.3	-	-	51.3
Balance at 30 June 2016		8,031.7	32.8	3.0	325.8	8,393.3

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

Goodman Limited and its Controlled Entities
Consolidated cash flow statement
for the year ended 30 June 2016

		Consolidated	
		2016	2015
	Note	\$M	\$M
Cash flows from operating activities			
Property income received		216.8	213.9
Cash receipts from development activities		1,520.4	983.3
Other cash receipts from services provided		254.9	245.7
Property expenses paid		(73.7)	(65.1)
Payments for development activities		(1,036.5)	(951.5)
Other cash payments in the course of operations		(270.6)	(230.9)
Distributions/dividends received from equity accounted investments		421.5	511.6
Interest received		8.6	13.9
Finance costs paid		(191.8)	(34.9)
Net income taxes paid		(19.5)	(31.3)
Net cash provided by operating activities	17(b)	830.1	654.7
Cash flows from investing activities			
Proceeds from disposal of investment properties		636.1	62.5
Proceeds from disposal of controlled entities, net of cash disposed		1.1	234.2
Proceeds from disposal of equity investments		105.8	-
Cash recognised on restructure of Brazil operations		8.7	-
Payments for equity investments		(479.9)	(382.3)
Payments for investment properties		(103.4)	(58.4)
Payments for plant and equipment		(8.4)	(3.8)
Net cash provided by/(used in) investing activities		160.0	(147.8)
Cash flows from financing activities			
Issue costs due to stapled securities		-	(0.1)
Net cash flows from loans to related parties		1.0	2.6
Proceeds from borrowings		184.8	460.5
Repayments of borrowings		(255.6)	(279.0)
Distributions paid		(329.8)	(304.3)
Net cash used in financing activities		(399.6)	(120.3)
Net increase in cash held		590.5	386.6
Cash at the beginning of the year		746.5	359.9
Cash at the end of the year	17(a)	1,337.0	746.5

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

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 2016 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 11 August 2016.

(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 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 net 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.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Basis of preparation (cont)

1 Basis of preparation (cont)

(c) Foreign currency translation (cont)

Exchange rates used

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

Australian dollars (AUD) to	Weighted average		As at 30 June	
	2016	2015	2016	2015
New Zealand dollars (NZD)	1.0903	1.0755	1.0456	1.1381
Hong Kong dollars (HKD)	5.6530	6.4869	5.7786	5.9739
Chinese yuan (CNY)	4.6927	5.1748	4.9564	4.7784
Japanese yen (JPY)	84.9874	95.5310	76.8420	94.1320
Euros (EUR)	0.6565	0.6959	0.6725	0.6910
British pounds sterling (GBP)	0.4919	0.5304	0.5613	0.4903
United States dollars (USD)	0.7285	0.8366	0.7447	0.7708
Brazilian real (BRL)	2.6922	2.2299	2.3718	2.3930

(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 new standard is not expected to have a material impact on the Consolidated Entity's financial statements;
- + 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. Based on Goodman's existing contractual arrangements, the new standard is not expected to have a material impact on the Consolidated Entity's financial statements; and
- + AASB 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The new standard will become mandatory for the Consolidated Entity's 30 June 2020 financial statements and will result in the gross up of assets and liabilities associated with office buildings that Goodman leases; however, the impact is not expected to be material in the context of the Consolidated Entity's financial statements.

(f) Rounding

The Consolidated Entity is an entity of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument, amounts in this Directors' report and 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 – Goodwill and intangible assets; and
- + Note 14 – Financial risk management.

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

Basis of preparation (cont)

1 Basis of preparation (cont)

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

Measurement of fair values

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

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

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

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

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

Results for the year

2 Profit before income tax

Gross property income

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

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

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

Management income

Fee income derived from investment management and property services is recognised progressively as the services are provided. Any performance related investment 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 activities are assessed as being fixed price construction contracts. Revenue and expenses relating to these 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.

Results for the year (cont)

2 Profit before income tax (cont)

Employee expenses

Wages, salaries, and annual leave

Wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled within 12 months of the balance date represent present obligations resulting from employees' services provided to the balance date. These are calculated at undiscounted amounts based on 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 that are expected to be settled within 12 months are measured at the amounts expected to be paid, including related on-costs, when they are settled. Liabilities for bonuses, including related on-costs, which are expected to be settled after more than 12 months are discounted to reflect the estimated timing of payments.

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.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Results for the year (cont)

2 Profit before income tax (cont)

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

		Consolidated	
		2016	2015
	Note	\$M	\$M
Development activities			
Income from disposal of inventories		469.3	358.1
Net gain on disposal of special purpose development entities		25.0	23.3
Other development income		756.1	382.3
Development income		1,250.4	763.7
Inventory cost of sales		(381.3)	(339.8)
Other development expenses		(547.8)	(279.2)
Development expenses		(929.1)	(619.0)
Equity accounted investments			
Share of net results of investments in associates			
- Operating results after tax (before revaluations)	6(f)(i)	288.3	299.6
- Fair value adjustments attributable to investment properties	6(f)(i)	439.1	182.9
- Fair value adjustments on derivative financial instruments	6(f)(i)	6.9	7.1
Share of net results of investments in JVs			
- Operating results after tax (before revaluations)	6(f)(ii)	88.1	85.9
- Fair value adjustments attributable to investment properties	6(f)(ii)	107.5	39.1
- Fair value adjustments on derivative financial instruments	6(f)(ii)	(1.3)	(0.5)
Share of net results of equity accounted investments		928.6	614.1
Disposal of equity investments			
Net consideration from disposal of associates and JVs		114.3	0.7
Carrying value of associates and JVs disposed	6(f)(i), 6(f)(ii)	(92.6)	(0.3)
Loss on restructure of Brazil operations	21	(64.2)	-
Net (loss)/gain on disposal of equity investments		(42.5)	0.4
Disposal of controlled entities			
Net consideration received and receivable from the disposal of controlled entities	21	1.9	228.8
Carrying value of net assets disposed	21	(4.2)	(195.5)
Net (loss)/gain on disposal of controlled entities		(2.3)	33.3
Employee expenses			
Wages, salaries and on-costs		(159.1)	(134.6)
Annual and long service leave		(5.2)	(2.5)
Superannuation costs		(8.3)	(7.7)
Employee expenses		(172.6)	(144.8)
Share based payments			
Equity settled share based payments expense		(51.3)	(36.7)
Cash settled share based payments expense		(7.8)	(7.5)
Other share based payments related costs		(7.8)	(6.8)
Share based payments expense		(66.9)	(51.0)
Amortisation and depreciation			
Amortisation of leasehold improvements		(0.5)	(1.2)
Depreciation of plant and equipment		(7.2)	(5.4)
Amortisation and depreciation		(7.7)	(6.6)
Impairment losses			
Impairment of receivables		(2.1)	(1.1)
Impairment of inventories	6(d)	(42.4)	(15.1)
Impairment of other financial assets		-	(12.0)
Impairment of intangible assets	10	(204.6)	-
Impairment losses		(249.1)	(28.2)

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Results for the year (cont)

3 Profit per security

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

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

Details of these calculations are set out below:

	2016	2015
	¢	¢
Profit per security		
Basic profit per security	72.0	69.2
Diluted profit per security	69.8	67.1
Loss/(profit) per Company share		
Basic (loss)/profit per Company share	(7.5)	12.6
Diluted (loss)/profit per Company share	(7.0)	12.1

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

		2016	2015
	Note	\$M	\$M
Profit per security			
Profit after tax used in calculating basic profit per security	19	1,274.6	1,208.0
Distribution on Goodman PLUS		20.1	21.2
Profit after tax used in calculating diluted profit per security		1,294.7	1,229.2
Loss/(profit) per Company share			
(Loss)/profit after tax used in calculating basic (loss)/profit per Company share	19	(131.9)	219.9
Impact on conversion of Goodman PLUS		2.3	1.9
(Loss)/profit after tax used in calculating diluted (loss)/profit per Company share		(129.6)	221.8

(b) Weighted average number of securities

	2016	2015
	Number of securities	
Weighted average number of securities/shares used in calculating basic profit or loss per security/per Company share	1,770,270,056	1,745,301,730
Effect of performance rights on issue	39,558,004	34,946,851
Effect of issue of securities to Goodman PLUS holders	45,944,104	52,270,189
Weighted average number of securities/shares used in calculating diluted profit or loss per security/Company share	1,855,772,164	1,832,518,770

Results for the year (cont)

4 Segment reporting

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

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

The activities and services undertaken by the divisions include:

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Results for the year (cont)

4 Segment reporting (cont)

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Income statement												
External revenues												
Gross property income	176.1	183.3	2.5	5.1	11.6	9.5	8.2	8.2	6.2	-	204.6	206.1
Management income	107.2	86.5	78.2	67.3	45.7	38.6	27.2	19.7	1.0	3.2	259.3	215.3
Development income	179.2	233.5	42.5	42.6	889.4	370.1	107.6	111.5	31.7	6.0	1,250.4	763.7
Total external revenues	462.5	503.3	123.2	115.0	946.7	418.2	143.0	139.4	38.9	9.2	1,714.3	1,185.1
Reportable segment profit before tax	468.0	415.3	187.5	157.0	227.8	127.5	82.2	99.7	15.4	8.4	980.9	807.9
Share of net results of equity accounted investments												
Operating results (excluding fair value adjustments)	164.5	178.3	119.4	77.7	41.6	42.2	54.1	77.4	(3.2)	9.9	376.4	385.5
Fair value adjustments - not included in reportable segment profit before tax	272.7	113.5	165.6	76.1	34.6	23.6	21.1	15.4	58.2	-	552.2	228.6
Other material non-cash items not included in reportable segment profit before tax												
Net gain/(loss) from fair value adjustments on investment properties	340.2	546.1	-	-	(9.0)	(18.8)	(3.4)	(11.4)	-	-	327.8	515.9
Impairment losses	(7.3)	(5.5)	-	-	(16.8)	(13.2)	(225.0)	(9.5)	-	-	(249.1)	(28.2)
Statement of financial position	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Reportable segment assets	5,365.1	5,303.6	1,848.3	1,727.7	1,695.6	1,577.0	1,102.0	1,391.5	908.6	414.3	10,919.6	10,414.1
Non-current assets	5,155.6	5,085.8	1,687.8	1,564.8	1,375.1	1,500.5	782.5	968.5	596.6	402.5	9,597.6	9,522.1
Included in reportable segment assets are:												
Investment properties	2,645.0	2,816.5	-	-	45.2	52.7	30.5	36.8	-	-	2,720.7	2,906.0
Investments accounted for using the equity method	2,425.6	2,092.3	1,483.6	1,146.7	542.9	536.9	308.5	338.3	587.5	394.6	5,348.1	4,508.8
Reportable segment liabilities	129.9	185.9	70.8	36.3	97.2	47.9	45.1	65.0	56.0	20.4	399.0	355.5

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Results for the year (cont)

4 Segment reporting (cont)

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

	Note	2016 \$M	2015 \$M
Revenues			
Total revenue for reportable segments		1,714.3	1,185.1
Consolidated revenues		1,714.3	1,185.1
Profit or loss			
Total profit before tax for reportable segments		980.9	807.9
Corporate expenses not allocated to reportable segments		(102.2)	(90.8)
Operating profit before net interest and income tax		878.7	717.1
Valuation and other adjustments not included in reportable segment profit before tax:			
- Net gain from fair value adjustments on investment properties	6(e)	327.8	515.9
- Impairment losses	2	(249.1)	(28.2)
- Fair value adjustments relating to associates and JVs	2	552.2	228.6
- Share based payments expense	2	(66.9)	(51.0)
- Net capital losses not distributed and tax deferred adjustments		(68.1)	(5.2)
- Profit on disposal of investment properties		9.5	-
- Straight lining of rental income		(0.8)	0.8
Profit before interest and tax		1,383.3	1,378.0
Net finance expense	11	(13.0)	(127.8)
Consolidated profit before income tax		1,370.3	1,250.2
Assets			
Assets for reportable segments		10,919.6	10,414.1
Other unallocated amounts		1,467.5	848.2
Consolidated total assets		12,387.1	11,262.3
Liabilities			
Liabilities for reportable segments		399.0	355.5
Interest bearing liabilities		2,865.2	2,707.9
Provisions for distributions to Securityholders	9	197.4	194.6
Other unallocated amounts		532.2	628.2
Consolidated total liabilities		3,993.8	3,886.2

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Results for the year (cont)

5 Income tax

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

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

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

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

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

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

GIT

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

	Consolidated	
	2016	2015
	\$M	\$M
Current tax expense recognised in the income statement		
Current year	(54.2)	(23.6)
Adjustment for current tax in prior periods	0.4	1.8
	(53.8)	(21.8)
Deferred tax (expense)/benefit recognised in the income statement		
Origination and reversal of temporary differences	(21.8)	0.8
	(21.8)	0.8
Total income tax expense	(75.6)	(21.0)

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Results for the year (cont)

5 Income tax (cont)

	Consolidated	
	2016	2015
	\$M	\$M
(a) Income tax expense		
Profit before income tax	1,370.3	1,250.2
Prima facie income tax expense calculated at 30% (2015: 30%) on the profit before income tax	(411.1)	(375.1)
Decrease/(increase) in income tax due to:		
- Profit attributable to Unitholders	353.1	267.0
- Current year losses for which no deferred tax asset was recognised	(50.6)	(39.5)
- Non-deductible impairment losses and fair value movements	(66.5)	(13.7)
- Non-assessable amounts from share of results of equity accounted investments	39.3	31.2
- Non-deductible share based payments expense	(21.3)	(16.4)
- Other non-assessable items	19.1	2.6
- Utilisation of previously unrecognised tax losses	61.0	112.5
- Difference in overseas tax rates	2.1	8.4
- Adjustment for current tax in prior periods	0.4	1.8
- Other items	(1.1)	0.2
Income tax expense	(75.6)	(21.0)
	Consolidated	
	2016	2015
	\$M	\$M
(b) Deferred tax benefit recognised directly in equity		
Due to actuarial losses on defined benefit funds	0.5	2.0
	0.5	2.0
	Consolidated	
	2016	2015
	\$M	\$M
(c) Net income tax payable		
Net balance at the beginning of the year	(29.3)	(39.3)
Decrease/(increase) in current net tax payable due to:		
- Net income taxes paid	19.5	28.8
- Current tax expense	(53.8)	(21.8)
- Other	2.4	3.0
Net balance at the end of the year	(61.2)	(29.3)
Current tax receivables	0.9	13.6
Current tax payables	(62.1)	(42.9)
	(61.2)	(29.3)

(d) Deferred tax assets and liabilities

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

	Net		Deferred tax assets		Deferred tax liabilities	
	2016	2015	2016	2015	2016	2015
Consolidated	\$M	\$M	\$M	\$M	\$M	\$M
Investment properties	(81.2)	(78.0)	4.0	-	(85.2)	(78.0)
Receivables	(6.5)	(4.7)	-	-	(6.5)	(4.7)
Tax losses	42.4	84.0	42.4	84.0	-	-
Payables	3.6	0.8	3.6	0.8	-	-
Provisions	9.3	9.0	9.3	9.0	-	-
Other items	-	-	-	0.9	-	(0.9)
Tax (liabilities)/assets	(32.4)	11.1	59.3	94.7	(91.7)	(83.6)
Set off of tax	-	-	(47.0)	(78.0)	47.0	78.0
Net tax (liabilities)/assets	(32.4)	11.1	12.3	16.7	(44.7)	(5.6)

Deferred tax assets of \$295.5 million in relation to tax losses have not been recognised by the Consolidated Entity at 30 June 2016 (2015: \$284.0 million).

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

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. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below.

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 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 also 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.

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.

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.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

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

	Note	Consolidated	
		2016 \$M	2015 \$M
Inventories			
Current	6(d)	687.0	364.3
Non-current	6(d)	688.8	1,067.4
		1,375.8	1,431.7
Investment properties			
Stabilised investment properties		2,552.5	2,709.6
Investment properties under development		168.2	196.4
	6(e)	2,720.7	2,906.0
Investments accounted for using the equity method			
Associates	6(f)(i)	3,733.0	3,195.3
JVs	6(f)(ii)	1,615.1	1,313.5
		5,348.1	4,508.8
Total property assets		9,444.6	8,846.5

(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 knowledgeably, prudently and without compulsion.

Approach to determination of fair value

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

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

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

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure, and/or there has been a change in use (or zoning) of the asset 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 2016, 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:

Division	Total portfolio weighted average capitalisation rate	
	2016	2015
	%	%
Australia ¹	6.7	7.3
New Zealand	7.0	7.5
Hong Kong	5.4	6.0
China	8.1	8.5
Japan	4.9	5.1
Logistics - Continental Europe	6.3	6.8
Logistics - United Kingdom	6.9	7.6
Business Parks - United Kingdom	6.5	6.8
North America	4.5	-

1. Excludes urban renewal sites which are valued on a rate per residential unit site basis.

During the current financial year, the fair values of 99% (2015: 94%) 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 will vary depending on the nature, location and size of the development but is generally in a market range of 10% to 15%.

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

(d) Inventories

	Consolidated	
	2016	2015
	\$M	\$M
Current		
Land and development properties	687.0	364.3
	687.0	364.3
Non-current		
Land and development properties	688.8	1,067.4
	688.8	1,067.4

During the financial year, impairments of \$42.4 million (2015: \$15.1 million) were recognised to write down development land to net realisable value.

During the financial year, borrowing costs of \$32.4 million (2015: \$63.3 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	
	2016	2015
	\$M	\$M
Carrying amount at the beginning of the year	2,906.0	2,532.9
Cost of acquisition:		
- Other acquisitions	37.0	-
Capital expenditure	67.5	105.2
Disposals:		
- Carrying value of properties sold	(617.1)	(61.9)
- On disposal of interests in controlled entities	-	(200.6)
Transfers from inventories	1.4	3.9
Net gain from fair value adjustments	327.8	515.9
Effect of foreign currency translation	(1.9)	10.6
Carrying amount at the end of the year	2,720.7	2,906.0
Analysed by segment:		
Australia and New Zealand	2,645.0	2,816.5
Continental Europe	45.2	52.7
United Kingdom	30.5	36.8
	2,720.7	2,906.0

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

(e) Investment properties (cont)

Other information regarding directly held investment properties

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation method used (see notes 1(g) and 6(c)). The majority of Goodman's directly held investment properties are in Australia and the valuation technique used in measuring the fair value, as well as the values assumed for the significant unobservable inputs, are summarised in the table below:

Valuation technique	Significant unobservable inputs	2016	2015
Income capitalisation	Range of net market rents (per square metre per annum)	\$40 to \$300	\$42 to \$300
	Capitalisation rate (weighted average)	6.70%	7.30%

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.

In addition there are assets in Sydney, NSW that have been rezoned for residential mixed use. Certain of these sites have seen significant value uplifts 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	2016	2015
Direct comparison	Sales price for comparable residential sites (rate per unit)	\$100,000 to \$300,000	\$100,000 to \$300,000

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 3.3 years.

Non-cancellable operating lease commitments receivable from investment property customers

The analysis in the table below reflects the gross property income, excluding recoverable outgoings, based on the Consolidated Entity's existing lease agreements. It assumes that leases will not extend beyond the next review date, where the customer has an option to end the lease.

	Consolidated	
	2016	2015
	\$M	\$M
Non-cancellable operating lease commitments receivable:		
- Within one year	128.7	141.0
- One year or later and no later than five years	315.3	387.3
- Later than five years	338.9	242.5
	782.9	770.8

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

(f) Investments accounted for using the equity method

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

Associates

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

JVs

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

Transactions eliminated on consolidation

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

(i) Investments in associates

The Consolidated Entity's associates are set out below:

Name of associate	Country of establishment	Consolidated share of net results		Consolidated ownership interest		Consolidated investment carrying amount	
		2016 \$M	2015 \$M	2016 %	2015 %	2016 \$M	2015 \$M
Property investment							
Goodman Australia Industrial Partnership (GAIP)	Australia	229.5	148.3	27.5	27.5	1,186.6	1,025.3
Goodman Australia Partnership (GAP)	Australia	131.1	68.8	19.9	19.9	549.8	479.4
Goodman Property Trust (GMT) ¹	New Zealand	43.5	32.0	20.7	18.0	313.7	223.0
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	182.4	83.6	20.0	20.0	754.9	575.0
Goodman Japan Core Partnership (GJCP) ²	Japan	27.7	19.5	20.0	22.4	215.3	163.2
Goodman European Partnership (GEP)	Luxembourg	52.8	45.8	20.4	20.4	456.1	415.3
Arlington Business Parks Partnership (ABPP)	United Kingdom	67.3	91.6	43.1	43.1	256.6	314.1
		734.3	489.6			3,733.0	3,195.3

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 2016 using the quoted price on the last day of trading was \$327.3 million (2015: \$226.9 million).
2. The consolidated ownership interest in GJCP reflects the weighted average ownership interest in the various property investment vehicles.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

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

(i) Investments in associates (cont)

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

	Consolidated	
	2016	2015
	\$M	\$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the year	3,195.3	2,851.1
Share of net results after tax (before revaluations)	288.3	299.6
Share of fair value adjustments attributable to investment properties	439.1	182.9
Share of fair value adjustments on derivative financial instruments	6.9	7.1
Share of net results	734.3	489.6
Share of movements in reserves	(1.0)	0.4
Acquisitions	76.6	94.5
Disposals	(18.8)	-
Distributions received and receivable	(303.4)	(364.5)
Effect of foreign currency translation	50.0	124.2
Carrying amount at the end of the year	3,733.0	3,195.3

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

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

(i) Investments in associates (cont)

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

	GAIP		GAP		GMT		GHKLP		GJCP ²		GEP		ABPP	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Summarised statement of financial position														
Total current assets	595.9	436.3	464.3	380.3	59.1	11.6	325.8	46.0	86.2	117.5	185.0	348.5	46.1	51.6
Total non-current assets	5,864.0	5,534.1	3,397.2	3,231.7	2,433.1	1,995.4	4,367.6	3,813.9	1,925.6	1,262.9	3,642.8	3,202.1	886.7	1,139.1
Total current liabilities	171.9	528.1	134.1	238.0	26.6	72.9	84.7	85.1	92.6	18.6	132.1	117.1	39.6	50.4
Total non-current liabilities	2,040.3	1,788.7	988.3	1,129.0	981.1	703.1	840.5	905.8	844.2	632.9	1,456.0	1,399.2	298.2	411.8
Net assets (100%)	4,247.7	3,653.6	2,739.1	2,245.0	1,484.5	1,231.0	3,768.2	2,869.0	1,075.0	728.9	2,239.7	2,034.3	595.0	728.5
Consolidated ownership interest	27.5%	27.5%	19.9%	19.9%	20.7%	18.0%	20.0%	20.0%	20.0%	22.4%	20.4%	20.4%	43.1%	43.1%
Consolidated share of net assets	1,169.3	1,005.8	545.5	447.2	307.2	221.5	753.6	573.8	215.3	163.2	456.1	414.3	256.4	313.8
Capitalised costs	-	2.8	-	-	6.5	1.5	1.3	1.2	-	-	-	1.0	0.2	0.3
Distributions receivable ¹	17.3	16.7	4.3	32.2	-	-	-	-	-	-	-	-	-	-
Carrying amount of investment	1,186.6	1,025.3	549.8	479.4	313.7	223.0	754.9	575.0	215.3	163.2	456.1	415.3	256.6	314.1
Summarised statement of comprehensive income														
Revenue	464.1	473.6	308.1	321.8	129.9	143.2	237.8	200.0	177.4	175.4	242.0	226.0	94.3	166.1
Profit after tax and revaluations	842.7	538.7	658.6	345.3	219.6	171.7	911.9	417.8	139.5	92.6	262.9	221.1	156.1	212.7
Other comprehensive income	0.5	0.5	4.5	(0.4)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (100%)	843.2	539.2	663.1	344.9	219.6	171.7	911.9	417.8	139.5	92.6	262.9	221.1	156.1	212.7
Distributions received and receivable by the Consolidated Entity	68.2	67.0	60.8	30.1	14.8	13.1	17.4	15.6	21.2	7.9	33.4	28.6	87.6	202.2

- Distributions receivable relate to distributions provided for but not paid by the associates at 30 June 2016. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.
- The consolidated ownership interest in GJCP reflects the weighted average ownership interest in the various property investment vehicles.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

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

(ii) Investments in JVs

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

		Consolidated share of net results		Consolidated ownership interest		Consolidated investment carrying amount	
Name of JV	Country of establishment/ incorporation	2016 \$M	2015 \$M	2016 %	2015 %	2016 \$M	2015 \$M
Property investment							
KWASA Goodman Industrial Partnership (KGIP)	Australia	28.1	24.5	40.0	40.0	213.5	199.6
Property development							
Goodman Japan Development Partnership (GJDP)	Japan	33.8	34.9	50.0	50.0	95.9	79.3
Property investment and development							
Goodman China Logistics Partnership (GCLP)	Cayman Islands	41.2	15.8	20.0	20.0	414.3	329.1
Goodman North America Partnership (GNAP)	USA	64.5	8.8	55.0	55.0	587.5	252.0
Other JVs		26.7	40.5			303.9	453.5
		194.3	124.5			1,615.1	1,313.5

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

	Consolidated	
	2016 \$M	2015 \$M
Movement in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	1,313.5	1,004.5
Share of net results after tax (before revaluations)	88.1	85.9
Share of fair value adjustments attributable to investment properties	107.5	39.1
Share of fair value adjustments on derivative financial instruments	(1.3)	(0.5)
Share of net results	194.3	124.5
Share of movements in reserves	(14.1)	0.2
Acquisitions	421.2	258.3
Disposals	(73.8)	(0.3)
Transfer on reclassification as a controlled entity ¹	(117.6)	-
Distributions/dividends received and receivable	(118.5)	(147.1)
Effect of foreign currency translation	10.1	73.4
Carrying amount at the end of the year	1,615.1	1,313.5

1. Relates to Goodman's interest in the WT Goodman JV as a result of the JV partners agreeing to split their respective interests (refer to note 21).

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

6 Property assets (cont)

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

(ii) Investments in JVs (cont)

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

	KGIP		GJDP		GCLP		GNAP	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Summarised statement of financial position								
Current assets								
Cash and cash equivalents	3.5	1.1	48.8	37.3	161.8	276.6	27.1	38.0
Other current assets	299.8	1.8	2.2	1.0	46.3	15.0	19.6	27.2
Total current assets	303.3	2.9	51.0	38.3	208.1	291.6	46.7	65.2
Total non-current assets	548.6	793.2	412.0	302.5	2,399.9	1,815.9	1,038.5	406.8
Current liabilities								
Financial liabilities	-	-	0.2	-	-	-	-	-
Other current liabilities	11.9	6.1	27.5	19.6	146.0	102.1	24.8	21.6
Current liabilities	11.9	6.1	27.7	19.6	146.0	102.1	24.8	21.6
Non-current liabilities								
Financial liabilities	300.0	298.4	244.7	164.4	306.8	294.2	0.7	0.5
Other non-current liabilities	6.2	4.1	4.0	2.4	94.7	75.0	-	-
Total non-current liabilities	306.2	302.5	248.7	166.8	401.5	369.2	0.7	0.5
Net assets (100%)	533.8	487.5	186.6	154.4	2,060.5	1,636.2	1,059.7	449.9
Consolidated ownership interest	40.0%	40.0%	50.0%	50.0%	20.0%	20.0%	55.0%	55.0%
Consolidated share of net assets	213.5	195.0	93.3	77.2	412.1	327.2	582.8	247.4
Capitalised costs	-	4.5	2.6	2.1	2.2	1.9	4.7	4.6
Distributions receivable	-	0.1	-	-	-	-	-	-
Carrying amount of investment	213.5	199.6	95.9	79.3	414.3	329.1	587.5	252.0
Summarised statement of comprehensive income								
Revenue	96.6	71.6	251.5	305.7	96.3	67.6	13.9	0.7
Interest income	0.1	0.1	-	-	1.0	0.8	-	-
Interest expense	(12.3)	(12.5)	(0.2)	-	(14.2)	(0.1)	(0.1)	(0.1)
Income tax (expense)/benefit	-	-	(0.1)	0.1	(15.5)	(20.7)	(0.1)	-
Profit after tax and revaluations	84.8	61.2	67.7	69.8	205.9	79.1	117.4	16.0
Other comprehensive income	(3.1)	-	-	-	-	-	-	-
Total comprehensive income (100%)	81.7	61.2	67.7	69.8	205.9	79.1	117.4	16.0
Distributions/dividends received and receivable by the Consolidated Entity	14.1	14.4	76.7	73.1	4.3	0.2	2.0	30.9

For other JVs, the total profit after tax and revaluations is \$126.8 million (2015: \$186.6 million) and other comprehensive income is \$nil (2015: \$nil).

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

7 Receivables

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

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

Impairment

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

		Consolidated	
	Note	2016	2015
		\$M	\$M
Current			
Trade receivables		36.5	55.7
Other receivables		299.0	247.3
Amounts due from related parties	22	64.7	36.0
Loans to related parties	22	3.0	5.8
		403.2	344.8
Non-current			
Loans to related parties	22	31.9	43.0
Other receivables		2.4	2.7
		34.3	45.7

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

8 Payables

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

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

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

	Consolidated	
	2016	2015
	\$M	\$M
Current		
Trade payables	71.2	49.5
Other payables and accruals	336.2	321.9
	407.4	371.4
Non-current		
Other payables and accruals	85.1	100.8
	85.1	100.8

9 Provisions

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

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

		Consolidated	
		2016	2015
	Note	\$M	\$M
Current			
Distributions to Securityholders	15(b)	197.4	194.6
Onerous contracts		3.5	3.5
Employee benefits		10.6	9.0
		211.5	207.1
Non-current			
Onerous contracts		4.6	7.6
Rental guarantee		2.5	2.6
Employee benefits		2.2	2.6
Net defined benefit superannuation fund		34.1	39.9
		43.4	52.7

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

10 Goodwill and intangible assets

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

Goodwill

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

Management rights

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

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

Impairment

The carrying amounts of the Consolidated Entity's goodwill and management rights are tested annually for impairment. For the purpose of impairment testing, goodwill and management rights are allocated to the related cash-generating units monitored by management. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Recoverable amount is the greater of the fair value (net of disposal costs) and the value in use but given that goodwill and management rights are not frequently traded (i.e. fair value is difficult to ascertain), the recoverable amount will be equal to the value in use of the cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

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:

	2016	2015
	\$M	\$M
Goodwill	678.1	672.1
Management rights	102.5	304.3
	780.6	976.4

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

	2016	2015
	\$M	\$M
Carrying amounts		
Goodwill		
Continental Europe - Logistics	565.4	550.3
United Kingdom - Logistics	87.7	100.4
Other	25.0	21.4
Subtotal - goodwill	678.1	672.1
Management rights		
Continental Europe - Logistics	32.2	31.3
United Kingdom - Business Parks	-	205.4
Other	70.3	67.6
Subtotal - management rights	102.5	304.3
Total	780.6	976.4

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

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

Cost	Balance at 1 July 2014 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2015 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2016 \$M
Goodwill					
Continental Europe - Logistics	559.4	(2.2)	557.2	15.3	572.5
United Kingdom - Logistics	129.2	16.0	145.2	(18.4)	126.8
Other	26.9	1.4	28.3	3.8	32.1
Subtotal - goodwill	715.5	15.2	730.7	0.7	731.4
Management rights					
Continental Europe - Logistics	31.5	(0.2)	31.3	0.9	32.2
United Kingdom - Business Parks	189.5	23.5	213.0	(27.0)	186.0
Other	67.0	10.9	77.9	3.0	80.9
Subtotal - management rights	288.0	34.2	322.2	(23.1)	299.1
Total	1,003.5	49.4	1,052.9	(22.4)	1,030.5

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

Impairment losses	Balance at 1 July 2014 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2015 \$M	Impairment charge \$M	Effect of foreign currency translation \$M	Balance at 30 June 2016 \$M
Goodwill						
Continental Europe - Logistics	6.9	-	6.9	-	0.2	7.1
United Kingdom - Logistics	39.9	4.9	44.8	-	(5.7)	39.1
Other	6.9	-	6.9	-	0.2	7.1
Subtotal - goodwill	53.7	4.9	58.6	-	(5.3)	53.3
Management rights						
United Kingdom - Business Parks	6.8	0.8	7.6	204.6	(26.2)	186.0
Other	10.3	-	10.3	-	0.3	10.6
Subtotal - management rights	17.1	0.8	17.9	204.6	(25.9)	196.6
Total	70.8	5.7	76.5	204.6	(31.2)	249.9

Impairments and reversals of impairments

United Kingdom - Business Parks

During the financial year, Goodman has impaired its United Kingdom – Business Parks management rights by \$204.6 million to \$nil. While Goodman will continue its development and management of business parks in the United Kingdom, the investors in ABPP have agreed to sell all the remaining assets and wind up the partnership. As a result, the Consolidated Entity will cease to earn fees from assets within ABPP, and it is considered appropriate to impair the management rights to \$nil. In the prior year, management had made the determination that Goodman and one of its principal investment partners would create a new partnership investing in the key assets from ABPP; however, given the current strategy, such a transaction is not likely to eventuate. Instead, Goodman will continue to pursue other opportunities in the market using its current projects and other prospective projects that sit outside of ABPP.

There were no impairment losses in the prior financial year and there have been no reversals of impairment losses during either the current or prior financial year.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

Impairment testing for intangible assets

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

The impairment tests for all intangible assets are based on each division's value in use. Value in use is determined by discounting the future cash flows generated from continuing operations. These cash flows are based on both investment 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 partnerships, 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 typically renewed at minimal cost and on broadly similar financial terms. In light of the likely cessation of ABPP, management has reassessed this assumption for all its material management contracts, where there is an intangible asset recorded on Goodman's statement of financial position.

All of these partnerships are primarily logistics partnerships and with the exception of GMT in New Zealand, which is a listed entity, are either joint venture arrangements with one or more of Goodman's principal investment partners or are partnerships with a limited number of investors that include Goodman's principal investment partners. Accordingly, management considers that the indefinite life assumption remains appropriate for the purpose of the intangible asset testing.

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	2016	803.9	286.1	-
	2015	802.2	266.0	221.1
Pre-tax discount rate (pa) ²	2016	11.2%	10.0%	n/a
	2015	10.6%	12.8%	8.9%
Average annual development (million square metres)	2016	0.70	0.25	n/a
	2015	0.74	0.22	0.02
Average annual growth in assets under management (AUM) ³	2016	8.0%	52.1%	n/a
	2015	8.1%	84.8%	9.5%
Total performance fees (A\$M)	2016	-	-	n/a
	2015	-	-	21.1
Average annual increase in operating expenses	2016	3.0%	0.8%	n/a
	2015	3.2%	2.0%	(10.1%)

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. The decrease in the pre-tax discount rate for United Kingdom – Logistics is due to the reduction in risk premium following the creation of GUKP.
3. AUM growth rate in United Kingdom – Logistics reflects the fact that the initial portfolio contains a low number of completed properties and the AUM is augmented by completed developments over the forecast period.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

Impairment testing for intangible assets (cont)

The key driver of value in respect of these intangible assets is the level of and profitability of ongoing development activity, supplemented by fund and asset management income from managed partnerships, which is primarily related to the level of AUM.

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

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 although sales to third parties are also assumed. Margins from development activity are assumed to be consistent with those achieved historically.

Continental Europe – Logistics

The forecasts assume the development starts (by area) over the five year period are 0.7 million square metres each year, broadly 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.

United Kingdom – Logistics

Investor demand is expected to remain strong for well-let assets 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 0.25 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\$0.4 billion per annum.

Sources of funding for development activity

The forecast models assume that capital continues to be available to the principal managed partnerships 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 managed partnerships; 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.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Operating assets and liabilities (cont)

10 Goodwill and intangible assets (cont)

Impairment testing for intangible assets (cont)

AUM

For Continental Europe – Logistics, the average annual increase in AUM of 8.0% (2015: 8.1%) 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 £100 million to approximately £815 million, as GUKP draws down committed equity from its investors to fund the expected development activity. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

Performance fees

Investment management performance fee revenue has been excluded from the cash flow forecasts used to assess the value in use.

Operating expenses

Operating expenses in Continental Europe – Logistics and United Kingdom – Logistics are forecast to increase over the forecast period by an average of 3.0% per annum and 0.8% per annum respectively as the divisions increase AUM.

Assumptions impacting the terminal year

		Continental Europe - Logistics	United Kingdom - Logistics	United Kingdom - Business Parks
Growth rate (pa) ¹	2016	-	1.5%	n/a
	2015	0.2%	1.9%	1.9%
Development in terminal year (million square metres)	2016	0.70	0.22	n/a
	2015	0.80	0.22	0.03
Development in terminal year (cost in A\$B) ²	2016	0.65	0.29	n/a
	2015	0.67	0.32	0.10

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 has remained relatively stable.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

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	
	2016	2015
	\$M	\$M
Finance income		
Interest income from:		
- Related parties	0.2	2.7
- Other parties	8.3	3.5
Fair value adjustments on derivative financial instruments	106.1	53.6
	114.6	59.8
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(161.9)	(117.3)
Other borrowing costs	(14.6)	(13.9)
Foreign exchange loss ¹	(30.4)	(159.2)
Capitalised borrowing costs ²	79.3	102.8
	(127.6)	(187.6)
Net finance expense	(13.0)	(127.8)

1. Includes foreign exchange loss of \$30.2 million (2015: loss of \$160.0 million) relating to unrealised gains/(losses) on translation of interest bearing liabilities which do not qualify for net investment hedging under current accounting standards.
2. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 2.5% and 7.0% per annum (2015: 2.2% and 7.8% per annum).

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

12 Interest bearing liabilities

Interest bearing liabilities comprise 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	2016 \$M	2015 \$M
Current			
Secured:			
- Bank loans	12(a)	12.0	-
- Foreign securitised notes	12(b)	8.7	-
Borrowing costs		(0.4)	-
		20.3	-
Non-current			
Secured:			
- Bank loans	12(a)	52.9	-
- Foreign securitised notes	12(b)	85.9	-
Unsecured:			
- Bank loans	12(c)	306.5	333.2
- Euro medium-term notes	12(d)	445.4	509.9
- US senior notes	12(e)	1,779.2	1,719.0
- Foreign private placements	12(f)	202.8	171.9
Borrowing costs		(27.8)	(26.1)
		2,844.9	2,707.9

(a) Bank loans, secured

During the current financial year, Goodman acquired certain entities in Brazil (refer to note 21). The entities had the following bank facilities secured by property assets:

Amounts drawn down in A\$M equivalents				
Facility	Facility maturity date	Facility limit - A\$M equivalent	BRL	Total
Bank loan 1	26 Sep 2023	38.1	38.1	38.1
Bank loan 2	10 Jan 2022	26.8	26.8	26.8
Total bank loans, secured	at 30 Jun 2016	64.9	64.9	64.9
	at 30 Jun 2015	-	-	-

Repayments are made monthly and include capital and interest, with interest referenced to the benchmark rate ("Taxa Referencial") determined by the Central Bank of Brazil.

(b) Foreign securitised notes

During the current financial year, Goodman acquired certain entities in Brazil. One of these entities has issued notes, which is secured by a property asset and are non-recourse to the Consolidated Entity. As at 30 June 2016, the balance drawn is A\$94.6 million (BRL 224.1 million) denominated in Brazilian real. The notes expire on 9 August 2030 with ongoing monthly repayments of both capital and interest. Interest on the notes is accruing at a rate (plus margin) equivalent to that on the Brazilian Government's treasury bonds (also known as NTN-B) that were of similar duration at the time of issuing the notes. The interest on the notes and the rental income earned by the secured property asset are both inflation linked.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

12 Interest bearing liabilities (cont)

(c) 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 2019	50.0	-	-	-
Bank loan 2	31 Jul 2018	162.6	80.8	-	80.8
Bank loan 3	31 Jul 2018	148.7	-	-	-
Bank loan 4	30 Sep 2019	50.4	-	-	-
Bank loan 5	30 Sep 2019	37.5	-	-	-
Bank loan 6	31 Jul 2018	167.5	-	-	-
Bank loan 7	14 Apr 2021	152.2	47.8	-	47.8
Bank loan 8	31 Mar 2021	122.2	47.8	-	47.8
Bank loan 9	31 Mar 2019	30.0	-	-	-
Bank loan 10	31 Mar 2021	148.7	-	-	-
Bank loan 11	29 Sep 2019	104.1	-	45.5	45.5
Bank loan 12	29 Sep 2019	195.2	-	84.6	84.6
Bank loan 13	31 Mar 2021	195.2	-	-	-
Total bank loans, unsecured	at 30 Jun 2016	1,564.3	176.4	130.1	306.5
	at 30 Jun 2015	1,422.2	227.0	106.2	333.2

(d) Euro medium-term notes

As at 30 June 2016, Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A\$445.4 million (2015: A\$509.9 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 2016 was A\$512.0 million (2015: A\$620.3 million).

(e) United States senior notes

As at 30 June 2016, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

- + A\$436.4 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\$671.4 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\$671.4 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.

(f) Foreign private placements

As at 30 June 2016, the Consolidated Entity has the following unsecured foreign private placements:

- + A\$40.1 million (€27.0 million) denominated in Euros. On 29 July 2016, this facility was fully repaid and cancelled; and
- + A\$162.7 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.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

12 Interest bearing liabilities (cont)

(g) Finance facilities

	Consolidated	
	Facilities available \$M	Facilities utilised \$M
At 30 June 2016		
Secured:		
- Bank loans	64.9	64.9
- Foreign securitised notes	94.6	94.6
Unsecured:		
- Bank loans	1,564.3	306.5
- Euro medium-term notes	445.4	445.4
- United States senior notes	1,779.2	1,779.2
- Foreign private placements ¹	202.8	202.8
- Bank guarantees ²	-	38.0
	4,151.2	2,931.4
At 30 June 2015		
Unsecured:		
- Bank loans	1,422.2	333.2
- Euro medium-term notes	509.9	509.9
- United States senior notes	1,719.0	1,719.0
- Foreign private placements	171.9	171.9
- Bank guarantees ²	-	30.1
	3,823.0	2,764.1

1. On 29 July 2016, a facility of \$40.1 million was fully repaid and cancelled (refer to note 12(f)).
2. Bank guarantees are drawn from facilities available under unsecured bank loans.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

13 Other financial assets and liabilities

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

Derivative financial instruments and hedging

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

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

Cash flow hedges

Certain of the Consolidated Entity's 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	
	2016	2015
	\$M	\$M
Current		
Derivative financial instruments	-	4.4
	-	4.4
Non-current		
Derivative financial instruments ¹	329.8	234.0
Investment in unlisted securities, at fair value	0.3	0.8
	330.1	234.8

1. Includes fair values of cross currency interest rate swaps amounting to \$258.2 million (2015: \$176.9 million) entered into to hedge the United States senior notes (refer to note 12(e)).

Other financial liabilities

	Consolidated	
	2016	2015
	\$M	\$M
Current		
Derivative financial instruments	0.1	50.5
	0.1	50.5
Non-current		
Derivative financial instruments ¹	274.3	347.3
	274.3	347.3

1. Includes fair values of cross currency interest rate swaps amounting to \$nil (2015: \$64.4 million) entered into to hedge the United States senior notes (refer to note 12(e)) and the Japanese yen denominated private placement (refer to note 12(f)).

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management

The Directors have ultimate responsibility for the Consolidated Entity's capital management and financial risk management (FRM) processes and have established policies, documented in the Consolidated Entity's 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 Goodman 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 the Consolidated Entity's 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 Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management (cont)

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

(a) Market risk

Foreign exchange risk

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

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

The Consolidated Entity's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same 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).

As at 30 June 2016, the principal that is hedged, the weighted average exchange rates and the periods to expiry, by currency, are set out below:

2016				2015		
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	1.1674	(100.0)	65.4	1.2252
	(100.0)	65.4		(100.0)	65.4	
HKD payable	HKD'M	A\$M	HKD/AUD	HKD'M	A\$M	HKD/AUD
Less than 1 year	-	-	-	(1,050.0)	128.4	8.1868
2 - 5 years	(3,390.0)	529.4	6.5396	(1,540.0)	204.1	7.5622
	(3,390.0)	529.4		(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
	-	-		(11,000.0)	128.0	
EUR payable	EUR'M	A\$M	EUR/AUD	EUR'M	A\$M	EUR/AUD
Less than 1 year	-	-	-	(50.0)	69.2	0.7226
2 - 5 years	(470.0)	616.7	0.7644	(420.0)	541.3	0.7765
	(470.0)	616.7		(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	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 AUD/GBP
Less than 1 year	-	-	-	(171.1)	85.0	2.0129
1 - 2 years	(103.2)	50.0	2.0648	-	-	-
2 - 5 years	-	-	-	(103.2)	50.0	2.0640
	(103.2)	50.0		(274.3)	135.0	
FECs: USD receivable Expiry	Amounts payable CNY'M	Amounts receivable USD'M	Weighted average exchange rate USD/CNY	Amounts payable CNY'M	Amounts receivable USD'M	Weighted average exchange rate USD/CNY
2 - 5 years	(1,614.6)	225.0	7.1759	-	-	-
	(1,614.6)	225.0		-	-	

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management (cont)

(a) Market risk (cont)

Foreign exchange risk (cont)

At 30 June 2016, 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 and USD/GBP CCIRS, to provide a capital hedge against assets denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

2016			2015			
CCIRS: USD receivable	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
Expiry by currency						
EUR payable	EUR'M	USD'M	USD/EUR	EUR'M	USD'M	USD/EUR
2-5 years	(250.8)	355.0	0.7065	-	-	-
Over 5 years	(76.6)	100.0	0.7657	(327.4)	455.0	0.7195
	(327.4)	455.0		(327.4)	455.0	
GBP payable	GBP'M	USD'M	USD/GBP	GBP'M	USD'M	USD/GBP
2-5 years	(55.6)	90.0	0.6176	-	-	-
Over 5 years	(76.4)	120.0	0.6369	(132.0)	210.0	0.6286
	(132.0)	210.0		(132.0)	210.0	
CCIRS: JPY receivable	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
Expiry						
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	

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2015: 5%) stronger against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by A\$21.9 million (2015: A\$12.6 million decrease). If the Australian dollar had been 5% (2015: 5%) weaker against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by A\$21.9 million (2015: A\$12.6 million increase).

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management (cont)

(a) Market risk (cont)

Interest rate risk

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

As at 30 June 2016, the Consolidated Entity's interest rate risk exposure based on existing interest bearing liabilities and derivative financial instruments is 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 2016				
Fixed rate liabilities	2,387.3	(893.0)	854.8	2,349.1
Floating rate liabilities	506.1	912.3	(854.8)	563.6
	2,893.4	19.3	-	2,912.7
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

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:

	2016		2015	
	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum
Number of years post balance date				
1 year	2,397.0	4.51%	2,397.9	4.95%
2 years	2,583.3	4.39%	2,388.5	5.00%
3 years	2,172.1	3.44%	2,297.6	4.94%
4 years	1,793.7	3.50%	1,538.2	3.78%
5 years	1,318.0	3.21%	1,183.2	3.84%

Sensitivity analysis

Based on the Consolidated Entity's interest bearing liabilities and derivative financial instruments at 30 June 2016, if interest rates on borrowings had been 100 basis points per annum (2015: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Securityholders for the financial year would have been A\$5.6 million lower/higher (2015: A\$7.7 million).

Price risk

The Consolidated Entity is not materially exposed to price risk.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management (cont)

(b) Liquidity risk

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management (cont)

(b) Liquidity risk (cont)

The contractual maturities of financial liabilities are set out below:

	Carrying amount \$M	Contractual cash flows \$M	Less than 1 year \$M	1 - 2 year(s) \$M	2 - 3 years \$M	3 - 4 years \$M	4 - 5 years \$M	More than 5 years \$M
As at 30 June 2016								
Non-derivative financial liabilities								
Payables	492.5	492.5	407.4	65.7	1.9	7.5	10.0	-
Bank loans, secured	64.9	64.9	12.0	-	-	-	-	52.9
Foreign securitised notes	94.6	94.6	8.7	-	-	-	-	85.9
Bank loans, unsecured ¹	306.5	306.5	-	-	80.7	130.1	95.7	-
Euro medium-term notes, unsecured	445.4	575.8	85.1	43.4	447.3	-	-	-
United States senior notes, unsecured	1,779.2	2,367.7	135.5	112.4	112.4	112.8	1,193.5	701.1
Foreign private placements, unsecured	202.8	246.6	7.7	6.2	6.2	6.3	6.2	214.0
Total non-derivative financial liabilities	3,385.9	4,148.6	656.4	227.7	648.5	256.7	1,305.4	1,053.9
Derivative financial (assets)/liabilities - net								
Net settled ²	(20.7)	(5.1)	(10.0)	2.6	1.0	1.8	1.1	(1.6)
Gross settled ³ :								
(Inflow)	(34.7)	(539.7)	(94.7)	(97.2)	(77.0)	(81.6)	(144.9)	(44.3)
Outflow	-	489.4	39.9	203.9	103.1	36.9	38.7	66.9
Total derivative financial (assets)/liabilities - net	(55.4)	(55.4)	(64.8)	109.3	27.1	(42.9)	(105.1)	21.0
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)

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 foreign currency contracts.

3. Gross settled includes CCIRS.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management (cont)

(c) Credit risk

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

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

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

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

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

The credit risks associated with financial instruments are managed by:

- + transacting with multiple derivatives counterparties that have a long-term investment credit rating; and
- + utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer 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\$124.1 million (2015: A\$144.5 million) of financial assets and financial liabilities in relation to the Consolidated Entity's derivative financial instruments to be offset.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management (cont)

(d) 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 2016 \$M	Fair value 2016 \$M	Carrying amount 2015 \$M	Fair value 2015 \$M
Financial assets					
Cash	17(a)	1,337.0	1,337.0	746.5	746.5
Receivables	7	437.5	437.5	390.5	390.5
Other financial assets:	13				
- IRS		57.4	57.4	43.0	43.0
- CCIRS		272.4	272.4	189.1	189.1
- FECs		-	-	6.3	6.3
- Investments in unlisted securities		0.3	0.3	0.8	0.8
		2,104.6	2,104.6	1,376.2	1,376.2
Financial liabilities					
Payables	8	492.5	492.5	472.2	472.2
Interest bearing liabilities ¹	12	2,865.2	3,097.6	2,707.9	3,081.0
Other financial liabilities:	13				
- IRS		36.8	36.8	71.7	71.7
- CCIRS		218.1	218.1	326.1	326.1
- FECs		19.5	19.5	-	-
		3,632.1	3,864.5	3,577.9	3,951.0

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2016 (refer to note 12).

Fair value hierarchy

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

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2016				
Available for sale financial assets	-	-	0.3	0.3
Derivative financial assets	-	329.8	-	329.8
	-	329.8	0.3	330.1
Derivative financial liabilities	-	274.4	-	274.4
	-	274.4	-	274.4
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

There were no transfers between the levels during the year.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

14 Financial risk management (cont)

(d) Fair values of financial instruments (cont)

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

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

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

15 Dividends and distributions

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

(a) Dividends declared by the Company

No dividends were declared or paid by Goodman Limited during the financial year ended 30 June 2016 or up to the date of this report.

(b) Distributions declared and paid/payable by GIT

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the current financial year			
- 31 Dec 2015	11.9	210.6	22 Feb 2016
- 30 Jun 2016	11.1	197.4	26 Aug 2016
	23.0	408.0	
Distributions for the prior financial year			
- 31 Dec 2014	11.1	193.7	20 Feb 2015
- 30 Jun 2015	11.1	194.6	26 Aug 2015
	22.2	388.3	

Movement in provision for distributions to Securityholders

	Consolidated	
	2016	2015
	\$M	\$M
Balance at the beginning of the year	194.6	178.8
Provisions for distributions	408.0	388.3
Distributions paid	(309.7)	(283.1)
Distribution reinvestment plan	(95.5)	(89.4)
Balance at the end of the year	197.4	194.6

(c) Dividends declared by GLHK

GLHK did not declare any dividends during the financial year. On 11 August 2016, GLHK proposed a dividend of 1.0 cent per security amounting to \$17.8 million (2015: \$nil), which will be paid on 26 August 2016.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

16 Issued capital

(a) Ordinary securities

Ordinary shares

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

	2016	2015	2016	2015
	Number of securities		\$M	\$M
Stapled securities - issued and fully paid	1,778,318,630	1,753,035,922	8,192.2	8,096.7
Less: Accumulated issue costs			(160.5)	(160.5)
Total issued capital			8,031.7	7,936.2

Terms and conditions

Stapled security means one share in the Company stapled to one unit in GIT and one CDI over a share in 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
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
30 Jun 2015	Balance before accumulated issue costs	1,753,035,922		482.5	6,990.8	623.4	8,096.7
26 Aug 2015	Distribution reinvestment plan	7,196,343	6.31	4.8	35.1	5.5	45.4
31 Aug 2015	Securities issued to employees under the LTIP	9,824,337	-	-	-	-	-
23 Sep 2015	Securities issued to employees under the GTEP	41,712	-	-	-	-	-
22 Feb 2016	Distribution reinvestment plan	8,220,316	6.09	7.3	36.7	6.1	50.1
	Less: Accumulated issue costs			(11.4)	(148.5)	(0.6)	(160.5)
30 Jun 2016	Closing balance	1,778,318,630		483.2	6,914.1	634.4	8,031.7

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

16 Issued capital (cont)

(b) Share based payments

Share based payment transactions

The fair value of performance rights over 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 performance rights for which the related service and non-market vesting conditions are expected to be met. The accumulated share based payments expense of performance rights which have vested or lapsed is transferred from the employee compensation reserve to (accumulated losses)/retained earnings. The fair values of performance rights are measured at grant date using a combination of Black Scholes pricing models and Monte Carlo simulations.

At 30 June 2016, 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 entitle an employee to either acquire Goodman securities for \$nil consideration or, in certain jurisdictions, to receive an amount in cash equal to the value of the securities, subject to the vesting conditions having been satisfied. Further details regarding the vesting conditions are included in the remuneration report section of the Directors' report.

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

	Number of rights	
	2016	2015
Outstanding at the beginning of the year	52,112,100	45,681,781
Granted	21,886,940	16,751,695
Exercised	(10,252,137)	(9,220,982)
Forfeited	(1,238,063)	(1,100,394)
Outstanding at the end of the year	62,508,840	52,112,100
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 25 Nov 2015	Rights issued on 23 Sep 2015
Fair value at measurement date (\$)	4.44	4.06
Security price (\$)	6.09	5.62
Exercise price (\$)	-	-
Expected volatility (%)	24.02	25.03
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	5.48	5.39
Average risk free rate of interest per annum (%)	2.41	2.31

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:

- + 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; and
- + 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.

At 30 June 2016, a liability of \$16.0 million (2015: \$11.6 million) was recognised in relation to cash settled performance rights.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Capital management (cont)

16 Issued capital (cont)

(b) Share based payments (cont)

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.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

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	
	2016	2015
	\$M	\$M
Cash assets	1,337.0	746.5

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

	Consolidated	
	2016	2015
	\$M	\$M
Profit for the year	1,294.7	1,229.2
Items classified as investing activities		
Net gain on disposal of investment properties	(18.1)	(7.8)
Net loss/(gain) on disposal of controlled entities	2.3	(33.3)
Net loss/(gain) on disposal of equity investments	42.5	(0.4)
Non-cash items		
Amortisation and depreciation	7.7	6.6
Share based payments expense	66.9	51.0
Net gain from fair value adjustments on investment properties	(327.8)	(515.9)
Impairment losses	249.1	28.2
Share of net results of equity accounted investments	(928.6)	(614.1)
Net finance expense	13.0	127.8
Income tax expense	75.6	21.0
Operating profit before changes in working capital and provisions	477.3	292.3
Changes in assets and liabilities during the year:		
- (Increase)/decrease in receivables	(95.3)	134.4
- Decrease/(increase) in inventories	171.4	(257.7)
- (Increase)/decrease in other assets	(4.0)	6.0
- Increase in payables	68.7	21.1
- Decrease in provisions	(6.8)	(0.7)
	611.3	195.4
Distributions/dividends received from equity accounted investments	421.5	511.6
Net finance costs paid	(183.2)	(21.0)
Net income taxes paid	(19.5)	(31.3)
Net cash provided by operating activities	830.1	654.7

(c) Non-cash transactions

During the current financial year, the Consolidated Entity's distribution reinvestment plan was active for the August 2015 and February 2016 distributions. In relation to these distributions, \$95.5 million was made in the form of Goodman securities.

In the prior financial year, the significant non-cash transactions were 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 made in the form of Goodman securities; and
- + the Consolidated Entity received distributions of \$31.7 million from GAP and GADP in the form of units in the respective managed partnership.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

18 Reserves

	Note	Consolidated	
		2016 \$M	2015 \$M
Asset revaluation reserve ¹	18(a)	(5.3)	(142.8)
Cash flow hedge reserve	18(b)	(5.9)	(5.0)
Foreign currency translation reserve	18(c)	(28.2)	(28.7)
Employee compensation reserve	18(d)	102.5	78.3
Defined benefit funds actuarial losses reserve	18(e)	(30.3)	(34.2)
Total reserves		32.8	(132.4)

1. In prior years, unrealised gains or losses on investment properties were transferred from (accumulated losses)/retained earnings to the asset revaluation reserve. From 1 July 2015, the Consolidated Entity has amended its practice such that these unrealised gains or losses are maintained in (accumulated losses)/retained earnings and any relevant amounts included in the asset revaluation reserve at 1 July 2015 have been transferred back to (accumulated losses)/retained earnings.

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 CDIs over shares of GLHK:

	GL		GIT		GLHK		Securityholders	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M	2016 \$M	2015 \$M	2016 \$M	2015 \$M
(a) Asset revaluation reserve								
Balance at the beginning of the year	(326.0)	(178.0)	191.3	(929.8)	(8.1)	2.1	(142.8)	(1,105.7)
(Decrease)/increase due to revaluation of other financial assets	(6.7)	(2.2)	6.6	2.1	-	-	(0.1)	(0.1)
Transfers to/from retained earnings/(accumulated losses)	305.6	(141.2)	(170.1)	1,132.6	1.7	(7.3)	137.2	984.1
Effect of foreign currency translation	5.5	(4.6)	0.4	(13.6)	(5.5)	(2.9)	0.4	(21.1)
Balance at the end of the year	(21.6)	(326.0)	28.2	191.3	(11.9)	(8.1)	(5.3)	(142.8)
(b) Cash flow hedge reserve								
Balance at the beginning of the year	(0.1)	(0.1)	(4.9)	(9.6)	-	-	(5.0)	(9.7)
Change in value of financial instruments	-	-	(0.9)	0.8	-	-	(0.9)	0.8
Transfers to other comprehensive income	-	-	-	4.1	-	-	-	4.1
Effect of foreign currency translation	0.1	-	(0.1)	(0.2)	-	-	-	(0.2)
Balance at the end of the year	-	(0.1)	(5.9)	(4.9)	-	-	(5.9)	(5.0)
Refer to note 13 for the accounting policy relating to this reserve.								
(c) Foreign currency translation reserve								
Balance at the beginning of the year	(155.4)	(83.5)	21.8	(251.1)	104.9	77.5	(28.7)	(257.1)
Transfers to the income statement	34.3	-	-	-	-	-	34.3	-
Net exchange differences on conversion of foreign operations	138.4	(71.9)	(172.3)	272.9	0.1	27.4	(33.8)	228.4
Balance at the end of the year	17.3	(155.4)	(150.5)	21.8	105.0	104.9	(28.2)	(28.7)
Refer to note 1(c) for the accounting policy relating to this reserve.								
(d) Employee compensation reserve								
Balance at the beginning of the year	6.9	4.1	64.7	57.0	6.7	3.2	78.3	64.3
Equity settled share based payments expense	30.7	25.5	16.2	7.7	4.4	3.5	51.3	36.7
Transfers to retained earnings/(accumulated losses)	(27.1)	(22.7)	-	-	-	-	(27.1)	(22.7)
Balance at the end of the year	10.5	6.9	80.9	64.7	11.1	6.7	102.5	78.3
Refer to note 16(b) for the accounting policy relating to this reserve.								
(e) Defined benefit funds actuarial losses reserve								
Balance at the beginning of the year	(34.2)	(22.3)	-	-	-	-	(34.2)	(22.3)
Actuarial losses on defined benefit superannuation funds	(0.4)	(9.1)	-	-	-	-	(0.4)	(9.1)
Effect of foreign currency translation	4.3	(2.8)	-	-	-	-	4.3	(2.8)
Balance at the end of the year	(30.3)	(34.2)	-	-	-	-	(30.3)	(34.2)
Refer to note 2 for the accounting policy relating to this reserve.								
Total reserves	(24.1)	(508.8)	(47.3)	272.9	104.2	103.5	32.8	(132.4)

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

19 Retained earnings/(accumulated losses)

The retained earnings/(accumulated losses) 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 CDIs over shares of GLHK:

	GL		GIT		GLHK		Securityholders	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at the beginning of the year	398.7	14.9	(1,338.5)	(720.9)	186.3	94.2	(753.5)	(611.8)
Loss/(profit) for the year	(131.9)	219.9	1,232.4	903.3	174.1	84.8	1,274.6	1,208.0
Transfers to/from asset revaluation reserve ¹	(305.6)	141.2	170.1	(1,132.6)	(1.7)	7.3	(137.2)	(984.1)
Transfers from employee compensation reserve	27.1	22.7	-	-	-	-	27.1	22.7
Dividends/distributions declared	-	-	(408.0)	(388.3)	-	-	(408.0)	(388.3)
Balance at the end of the year	(11.7)	398.7	(344.0)	(1,338.5)	358.7	186.3	3.0	(753.5)

1. Refer to note 18.

20 Other non-controlling interests

Goodman 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.

For the year ended 30 June 2016, the movement in Goodman PLUS was as follows:

	Consolidated	
	2016	2015
	\$M	\$M
Balance at the beginning of the year	325.8	325.8
Profit attributable to other non-controlling interests	20.1	21.2
Distributions paid to holders of Goodman PLUS	(20.1)	(21.2)
Balance at the end of the year¹	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 discretionary and 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 \$20.1 million (2015: \$21.2 million), or 614.8 cents per unit (2015: 647.9 cents per unit).

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

21 Controlled entities

Controlled entities are entities controlled by the Company. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Consolidated Entity as at 30 June 2016 and the results of all such entities for the year ended 30 June 2016.

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

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

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

Significant controlled entities	Country of establishment/ incorporation
Carter Street Trust	Australia
GA Industrial Portfolio 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 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
Goodman Brasil Logistica S.A.	Brazil
Goodman Investimentos e Participações S.A.	Brazil
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 (Beijing) Co. Ltd	China
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 Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

21 Controlled entities (cont)

Significant controlled entities	Country of establishment/ incorporation
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 Meadow Logistics 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 Holdings (NZ) Limited	New Zealand
Goodman Investment Holdings (NZ) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman (Paihia) Limited	New Zealand
Goodman (Wynyard Precinct) Limited	New Zealand
Goodman Poland Sp zoo	Poland
Goodman Galaxy Holding BV	The Netherlands
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 Birtcher Property Management LP	United States
Goodman Birtcher Property Management USA GP Inc	United States
Goodman Management USA Inc	United States
Tarpon Properties REIT Inc	United States

Acquisition of operating management platform in Brazil

On 17 March 2016, Goodman and WTorre agreed to split their respective interests in the assets and liabilities of the Brazilian property development joint venture, WT Goodman. Under the agreement, Goodman acquired the entities holding the management platform, four property assets and associated external debt and as consideration cancelled the 50% equity interest that it owned in WT Goodman.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

21 Controlled entities (cont)

Acquisition of operating management platform in Brazil (cont)

The identifiable assets acquired and liabilities assumed are as follows:

	2016
	\$M
Cash	8.7
Inventories	229.4
Other assets	11.2
Interest bearing liabilities	(132.9)
Deferred tax liabilities	(20.5)
Other payables	(1.9)
Total net identifiable assets	94.0

No goodwill was recognised on the acquisition of the Brazil entities.

In the three months ended 30 June 2016, the Brazil operations contributed revenue of \$6.2 million and loss before tax of \$2.4 million to the results of the Consolidated Entity.

The derecognition of the Consolidated Entity's existing investment in the WT Goodman joint venture resulted in a loss of \$64.2 million which is included as part of the net loss on disposal of equity investments. This loss includes the amount transferred through the income statement from the foreign currency translation reserve and transaction costs.

Disposal of controlled entities

During the year, the Consolidated Entity disposed of four controlled entities with total assets of \$42.0 million (primarily investment properties) and total liabilities of \$37.8 million for a consideration of \$1.9 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 Anthony Rozic
Mr Philip Pearce¹
Mr Danny Peeters

Other senior executives

Mr Nick Kurtis
Mr Nick Vrondas
Mr Jason Little.

1. Mr Philip Pearce ceased to be a KMP effective 12 July 2016.

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Consolidated		Goodman Limited¹	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Short-term employee benefits	8.5	18.3	-	-
Post-employment benefits	0.2	0.2	-	-
Equity compensation benefits	15.2	11.4	-	-
Long-term employee benefits	6.7	0.1	-	-
	30.6	30.0	-	-

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

22 Related parties (cont)

Individual Directors' and executives' compensation disclosures

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

Transactions with associates and JVs

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

	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to related parties	
	2016	2015	2016	2015	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M
Associates	2.7	11.2	750.1	576.9	0.3	1.7
JVs	-	-	356.8	171.6	(0.1)	1.0

Amounts due from managed partnerships at 30 June 2016 were as follows:

	Amounts due from related parties ¹		Loans provided by Goodman ²	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Associates				
GAIP	6.9	4.7	-	-
GAP	2.6	2.3	-	-
GMT	10.8	0.1	-	-
GHKLP	9.4	7.9	-	-
GJCP	1.1	-	-	-
GEP	17.8	15.6	16.9	20.0
ABPP	1.7	1.9	-	-
	50.3	32.5	16.9	20.0
JVs				
GCLP	8.6	-	-	-
Other JVs	5.8	3.5	18.0	28.8
	14.4	3.5	18.0	28.8

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 2016, a shareholder loan of \$16.9 million (2015: \$20.0 million) has been provided to GEP and its controlled entities, and incurs interest at 8.4% per annum.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

23 Commitments

	Consolidated	
	2016	2015
	\$M	\$M
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
- Within one year	18.9	16.3
- One year or later and no later than five years	47.1	34.0
- Later than five years	6.8	9.6
	72.8	59.9

Development activities

At 30 June 2016, the Consolidated Entity was also committed to expenditure in respect of \$393.2 million (2015: \$431.4 million) on inventories and other development activities.

Investment properties

At 30 June 2016, capital expenditure commitments on Goodman's existing investment property portfolio was \$69.7 million (2015: \$18.9 million).

Managed partnerships

At 30 June 2016, the Consolidated Entity has made an equity commitment of \$89.7 million (2015: \$97.6 million) into GEP.

In relation to GAIP and GEP, 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 managed partnerships. 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 GAIP each quarter and EUR 25 million of the issued capital of GEP each half year. Furthermore, the Consolidated Entity is only required to purchase units where its co-investment in GAIP or GEP is either below a prescribed limit or a maximum amount of liquidity has been provided. Currently, Goodman's interest (together with its custodian's interest) in GAIP and GEP is below the prescribed limit and both liquidity facilities are open for investors.

Furthermore, in respect of certain partnerships, Goodman and its investment 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:

- + \$467.2 million (2015: \$223.3 million) into GCLP;
- + \$411.2 million (2015: \$336.0 million) into GJDP;
- + \$327.2 million (2015: \$nil) into GUKP;
- + \$1,200.3 million (2015: \$1,212.0 million) into GNAP; and
- + \$10.6 million (2015: \$10.7 million) into other development partnerships.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

24 Auditors' remuneration

	Consolidated	
	2016	2015
	\$000	\$000
Audit services		
Auditor of the Company:		
- Audit and review of financial reports (KPMG Australia)	925.1	977.7
- Audit and review of financial reports (overseas KPMG firms)	934.9	944.5
	1,860.0	1,922.2
Other assurance services		
- Other regulatory services (KPMG Australia)	30.8	72.4
- Investigative accounting services (overseas KPMG firms)	-	74.1
- Property advisory services (KPMG Australia)	-	14.7
- Property advisory services (overseas KPMG firms)	10.1	-
- Other advisory services (KPMG Australia)	35.0	-
Taxation services		
- Taxation compliance services (KPMG Australia)	-	2.6
- Taxation compliance services (overseas KPMG firms)	164.0	242.4
- Other taxation advice (KPMG Australia)	34.1	31.0
- Other taxation advice (overseas KPMG firms)	164.0	138.4
	438.0	575.6
Total paid/payable to KPMG	2,298.0	2,497.8
Other auditors		
- Audit and review of financial reports (non-KPMG firms)	188.2	188.8

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.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

25 Parent Entity disclosures (cont)

Financial guarantees

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

As at, and throughout the financial year ended, 30 June 2016, the parent company of the Consolidated Entity was Goodman Limited.

	2016	2015
	\$M	\$M
Result of the Parent Entity		
Profit/(loss) for the year	70.2	(577.0)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	70.2	(577.0)
Financial position of the Parent Entity at year end		
Current assets	480.6	283.6
Total assets	1,703.4	1,382.3
Current liabilities	1,682.5	1,532.8
Total liabilities	1,682.5	1,532.8
Total equity of the Parent Entity comprising:		
Issued capital	728.8	668.4
Profits reserve	90.7	90.7
Employee compensation reserve	9.1	5.5
Accumulated losses	(807.7)	(915.1)
Total equity	20.9	(150.5)

Parent Entity capital commitments

The Parent Entity has no capital commitments (2015: \$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 2016, the Consolidated Entity had A\$306.5 million (2015: A\$333.2 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(d)), 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(e)), 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, 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 have unconditionally and irrevocably guaranteed on a joint and several basis 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.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2016

Other items (cont)

26 Events subsequent to balance date

On 11 August 2016, Goodman Logistics (HK) Limited proposed a dividend of 1.0 cent per security to be paid on 26 August 2016.

In the opinion of the Directors, other than the declaration of the dividend, 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.

Goodman Limited and its Controlled Entities
Directors' declaration

In the opinion of the directors of Goodman Limited:

- (a) the consolidated financial statements and the notes set out on pages 36 to 97 and the remuneration report that is contained on pages 14 to 29 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 2016 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 2016.

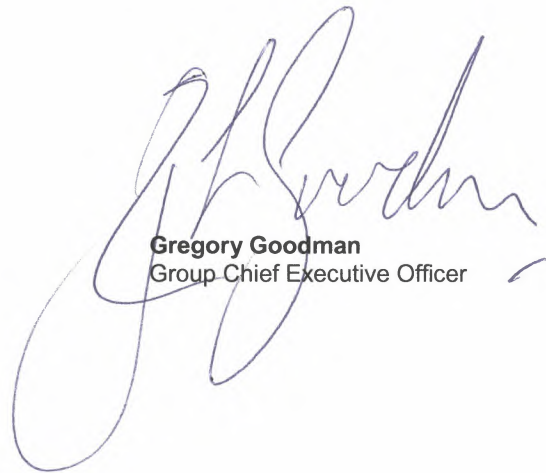
The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Ian Ferrier, AM
Independent Chairman

Sydney, 11 August 2016



Gregory Goodman
Group Chief Executive Officer



Independent auditor's report to the members of Goodman Limited

Report on the consolidated financial report

We have audited the accompanying consolidated financial report of Goodman Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, 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 consolidated financial report

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated 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 consolidated 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 consolidated financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial report.

We performed the procedures to assess whether in all material respects the consolidated 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:

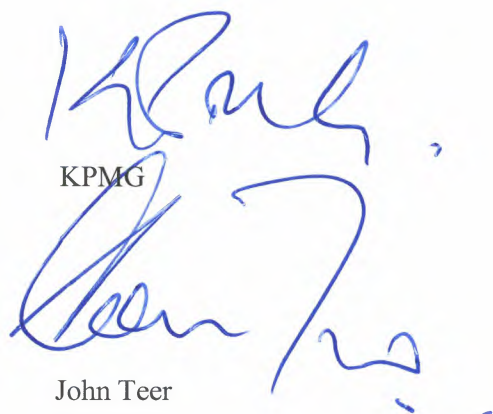
- (a) the consolidated financial report of Goodman Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated 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 14 to 29 of the Directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.



KPMG

John Teer
Partner

Sydney
11 August 2016



Eileen Hoggett
Partner

Sydney
11 August 2016