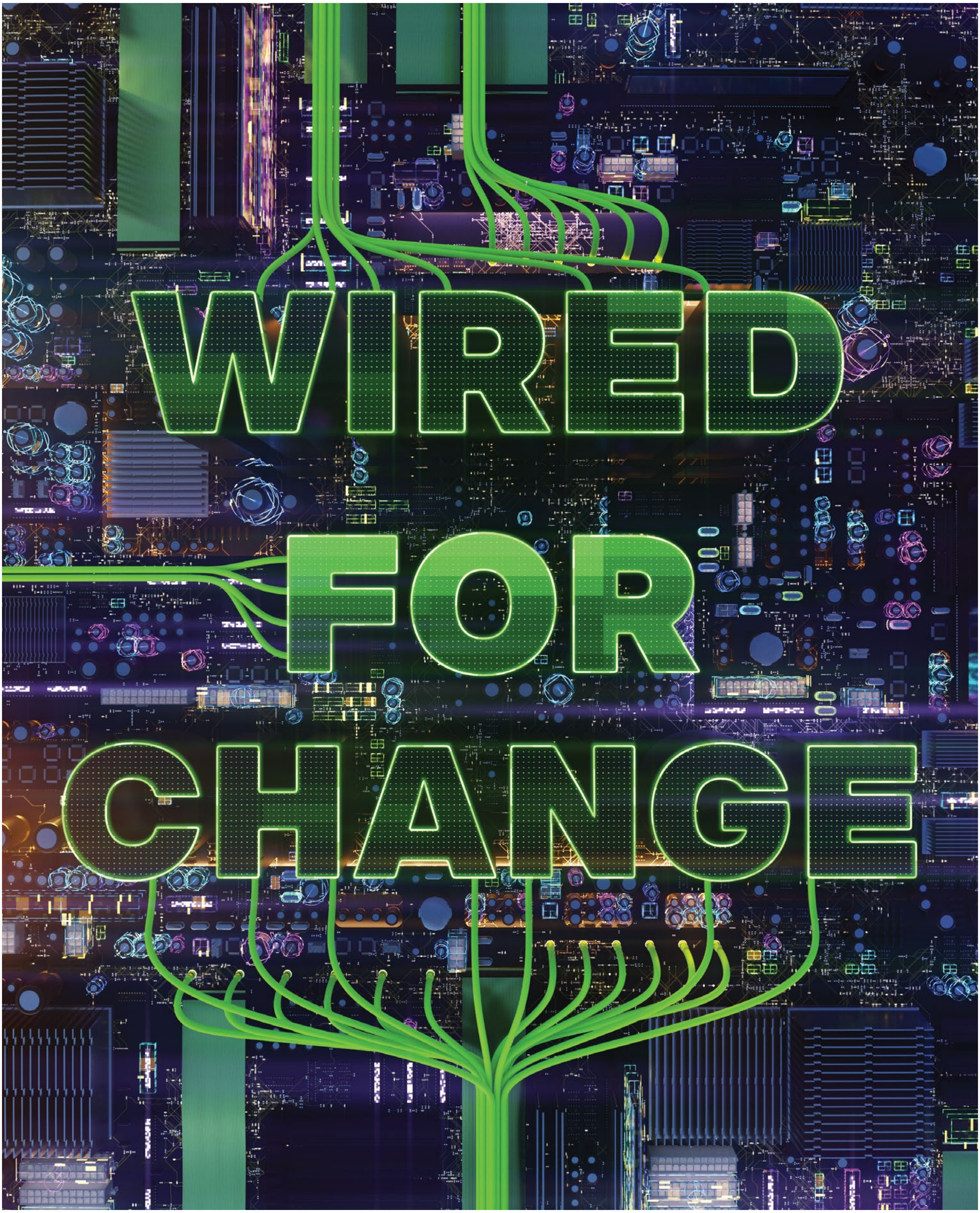
Goodman Group Annual Report 2021



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Chairman's letter

Goodman delivered another very strong result in 2021 during an extremely challenging period. The Group's focus was on remaining agile, embracing opportunities and making positive changes to the business. We redesigned how our teams work to prioritise our people's safety and wellbeing in the short term and enable greater diversity in the longer term. We accelerated our environmental, social and governance (ESG) targets, and we met the demands of an escalating digital economy.

Success in such conditions was only possible due to the Group's strategy, executed consistently by our strong local leadership teams in global markets, and galvanised with one culture. Goodman's business strategy is fit for purpose and comprehensive. It is designed for the long term, with our property investment strategy, environmental and sustainability targets and remuneration aligned to provide profitable and sustainable outcomes well into the future.

The right balance and focus

I believe one of Goodman's greatest strengths lies in our ability to balance our entrepreneurial spirit, which remains undiminished, with the attention to detail required for compliance and risk management, which is fundamental to running a major ASX-listed company whose global operations span 14 countries. Aiding this balance is the Group's remuneration strategy, which provides for all of our people globally to be owners in the business, fostering an innovative culture as well as creating a loyal and experienced team which remains engaged and committed.

While the approach of investing in high quality locations has been at the heart of Goodman's strategy, it has been refined over time to adapt to a changing world. For example, in recent years, our asset sale program has allowed us to focus on infill markets which can lead to higher intensification of use and a greater focus on sustainability. Customer demand outweighs supply for these properties, driven by consumers' growing expectation to have goods delivered quickly. The pandemic saw significant growth in e-commerce penetration in all of our markets and further accelerated this demand.

Strong and sustainable

A strong balance sheet to secure financial sustainability remains central to the Group's strategy. Low gearing levels and strong liquidity give Goodman the ability to seize quality opportunities as they arise, as well as providing a safeguard during turbulent periods. The Group's strong relationship with our international Investment Partners, some of the world's largest pension and sovereign funds that co-invest with Goodman globally, further strengthens our financial capability. Within these Partnerships, we currently have $18.1 billion of liquidity available for future investments in the form of equity commitments, cash and undrawn debt. The strategy has been critical, given the properties we seek to acquire are both scarce and highly valuable.

Goodman's long-term view impacts all areas of the business and is key to our success. Our focus on infill markets increases the scale and complexity of projects, which leads to significantly longer development timeframes, often exceeding five years. This is in addition to the time needed to achieve the best urban regeneration outcomes at infill sites. Similarly, our ever-increasing focus on environmental and sustainability goals, which we expect will take five to 10 years to implement and which will, in all likelihood, keep evolving over time, is aligned with long-term financial sustainability.

The 10-year plan

Given the long-term nature of Goodman's approach to real estate investment, the Board has introduced a new Long Term Incentive Plan for the senior leadership team to provide even greater alignment with securityholders. The new 10-year plan will see the testing and vesting periods for the senior leadership team extended to four and 10 years, respectively, with the existing plan's three and five year periods remaining in place for all other employees.

The new plan will position the Group with a market leading remuneration structure which will help to retain key people in a competitive labour market. It will support our objective to influence our people's long-term decision making and will incorporate environmental and sustainability targets in assessing our operational performance.

The Goodman Board

Our long serving Chairman, Mr Ian Ferrier, retired from the Board at last year's AGM. On behalf of the Board, I would like to thank him for his outstanding service to Goodman over his 17-year tenure on the Board and, in particular, his leadership during his 12 years as Chairman of the Board.

At this year's AGM, Independent Directors, Ms Rebecca McGrath and Mr David Collins, together with Executive Director, Mr Danny Peeters, will be standing for re-election. Ms Penny Winn has decided not to stand for re-election this year and will retire from the Board at the conclusion of this year's AGM. On behalf of the Board, I would like to extend my gratitude to Penny for her valuable contribution.

Goodman seeks to maintain a diverse Board with the appropriate mix of skills, gender and geographic representation, which will continue to be supported through future appointments. Our focus specifically will be on meeting our target of 40% representation for female Board members and additionally, in view of the global nature of Goodman, we will be seeking to appoint an internationally based director with the appropriate skill base during the course of the current financial year.

Goodman's straightforward and transparent culture invites the Board to have a constructive and open dialogue with management. This enables directors to add value in their deliberations with management, particularly in setting the Group's long-term growth strategy.

Many thanks

Goodman's strong performance in 2021 was made possible by the strength of our global leadership and teams around the world. On behalf of the Board, I sincerely thank our people for their commitment and determination in achieving this result. I also extend my gratitude to all of our stakeholders for their ongoing support and the Board for their valuable contribution.

Sincerely

Stephen Johns
Independent Chairman

Group CEO's letter

We knew this year would bring changes, and we were well-prepared for it. Our strong financial performance is the result of our long-term consumer-centric approach to growth. In the area of sustainability, we exceeded our own targets by reaching our 2025 goal of carbon neutrality four years ahead of schedule. We've been making progressive choices early on and executed them well which is putting us in good stead for the future.

In 2021, as global uncertainty and market disruption continued, our agile culture helped us embrace the changes we were presented with. The determination and talent of our people shone through.

Our results demonstrate this, as well as the team's alignment of consistently owning properties around the world, close to consumers. We delivered profitability, maintained a strong balance sheet, and stayed true to our purpose.

Goodman's financial highlights include an operating profit of $1.2 billion, statutory profit of $2.3 billion and assets under management that grew to $58 billion. Our balance sheet remains strong with gearing of 6.8% and available liquidity of $1.9 billion. Globally, our Group and Partnership properties achieved a revaluation uplift of $5.8 billion, reflecting the portfolio's quality. Distribution per stapled security was 30.0 cents, and net tangible assets increased 14.4% to $6.68 per security.

During the year, we have continued our concerted efforts to make ESG fundamental to our business. Goodman's long-term approach continued to engender positive economic, environmental and social outcomes for our business, our stakeholders, and the world.

As providers of essential infrastructure, sustainability is crucial to Goodman, and we are proud that our global operations achieved carbon neutrality this year. Around the world, we made progressive choices and changes to our operations to achieve this carbon neutral result well ahead of our 2025 target.

Future ready

The breadth of Goodman's portfolio gives us valuable insights across geographies. Globally, we saw evidence that our consumer-centric approach to growth in targeted locations was meeting our customers' requirements for faster speed to market. Meanwhile, our properties continued to provide opportunities for automation and for higher utilisation of space to allow for greater supply chain efficiency.

Global online sales increased 30% in 2020*, fuelled by e-commerce and the consumption of digital media and services. We saw a direct correlation between consumer habits, customer demand and our infill strategy.

Goodman has been positioning itself for this demand for several years. Our strategy is serving our customers well and during the year we leased 3.9 million sqm of space and our portfolio occupancy remains high at 98.1%. This supported the like for like growth in rental income of 3.2%.

Our Partnerships achieved average total returns of close to 18% while maintaining strong credit metrics. External assets under management reached $54.0 billion with $18.1 billion liquidity in the form of equity commitments, cash and undrawn debt. We also completed $3.1 billion of asset sales across our Partnerships – primarily in Europe where we have continued to refine our investment strategy. Strong demand for industrial assets globally resulted in demand from capital partners seeking to invest alongside us.

Our financial performance, high occupancy rates and rental growth are the result of our strategy to own assets in markets where barriers to entry are high, land is scarce, and demand is robust.

We continued to deploy capital to support our organic growth strategy, which saw our development workbook increase to $10.6 billion. Our global work-in-progress is spread across 73 projects and 12 countries, and the depth of demand is leading to a high level of lease pre-commitment.

Goodman leads in the urban regeneration of logistics sites around the world. This expertise has grown more valuable, with the sustainable redevelopment of brownfield sites in high demand by our customers and these are supported by the public sector. Such developments are beneficial to the environment as they reduce the amount of greenfield land developed and re-use existing infrastructure. Infill locations, meanwhile, tend to be close to consumers, which provides our customers with faster speed to market and lower transport-related emissions.

Globally, Goodman continued to work with planning authorities and local municipalities on innovative land use developments – an endeavour of greater mutual benefit where planning authorities are conducive to the increased utilisation of space, including multi-storey buildings which comprise approximately 50% of what we are currently developing around the world.

*Source: Euromonitor 2020

A sustainable impact

By accelerating the scale and timing of our sustainability goals, Goodman achieved carbon neutral global operations four years ahead of our 2025 target.

Collectively with our contractors and customers, we are working to decarbonise our development projects. We believe it is critical to examine the impact of steel, concrete and other materials and processes. As such, we have established a framework to measure the volume of embodied emissions in our development projects globally. This will enable Goodman to reduce or offset embodied carbon in the future.

Our sustainability goals are progressive, appropriate and aligned with our customers' aspirations. They reflect our obligation to act decisively on climate change, to reduce the risk of obsolescence and to ensure the future performance of our assets.

Throughout the year, Goodman Foundation remained steadfast in its efforts to help its charitable partners not only survive but rise to the challenge of the pandemic. It was a time to back our many charity partners who knew what their communities needed most, and to be generous and flexible in how we supported them through one of the most challenging years imaginable.

Flexible and inclusive

Flexible working is the new normal at Goodman. We have created an agile, technology-enabled working environment, which prioritises health, safety and wellbeing for our people around the world. Flexible working suits our culture and global operations. It also protects our teams and increases our productivity and diversity. Furthermore, it opens up opportunities for our people – particularly caregivers and parents.

We view our people as owners in the business. All Goodman employees participate in our Long Term Incentive Plan (LTIP), which aligns their interests to those of our securityholders and helps us to retain key talent and maintain low turnover. The financial framework around our LTIP encourages long-term decision making and underpins personal responsibility.

We are committed to inclusion and diversity. Our target is to increase women in senior roles to 40% by 2030 so that our capable female leaders, mentors and managers can continue to have a widespread and meaningful impact on our culture.

Forward thinking

We have witnessed the digitalisation of the world. And there's more to come.

Changing consumption habits have fundamentally changed the volume and nature of demand from our customers – which Goodman was, and still is, ready for. As a business that is always looking to the future, we have been strengthening our expertise and operational platform, while maintaining our strong balance sheet over several years to facilitate this transition.

I couldn't be prouder of the Goodman team's commitment to deliver high-quality, sustainable assets with integrity, determination and innovation. We're well prepared for the future.

Sincerely

Gregory Goodman
Group Chief Executive Officer

Corporate Governance 2021

Goodman Group (Goodman or Group) is a triple stapled entity comprised of the Australian company, Goodman Limited (GL), the Australian trust, Goodman Industrial Trust (GIT) and the Hong Kong company, Goodman Logistics (HK) Limited (GLHK). The Boards of GL and Goodman Funds Management Limited as the responsible entity of GIT comprise the same directors while GLHK has a distinct Board with some overlap (together they are referred to as the Boards).

The Goodman Boards and management team are committed to the highest standards of corporate governance and recognise that an effective corporate governance culture is critical to the long-term performance of the business. Goodman's corporate governance framework underpins our commitment to maximise long-term sustainable value for Securityholders through:

+ Effective controls, risk management, transparency and corporate responsibility
+ Strategic planning and alignment of the interests of employees, whom we refer to as team members, with that of Securityholders and other stakeholders
+ Meeting stakeholder expectations of a global ASX listed entity through acting lawfully and responsibly while prudently managing both financial and non-financial risk, and
+ Seeking to ensure we are an organisation that acts with integrity by promoting a culture which values the principles of honesty, fairness, transparency and ethical behaviour.

The diagram below shows an overview of Goodman's Corporate governance framework.

Goodman Group Boards

↑↓

Risk and Compliance Committee	Audit Committee	Remuneration Committee	Nomination Committee

↑↓

Group CEO

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Group Investment Committee	Finance and Treasury Committee	Corporate Services Committee

Goodman's Corporate Governance Statement can be viewed on our website at goodman.com/who-we-are/corporate-governance

Goodman's core corporate governance framework documents including Charters and Policies are available at goodman.com/who-we-are/corporate-governance. Additional information for securityholders is available at the Goodman Investor Centre at goodman.com/investor-centre

Goodman Limited and its controlled entities

Consolidated financial report for the year ended 30 June 2021

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Directors' report

The directors (Directors) of Goodman Limited (ABN 69 000 123 071) and Goodman Funds Management Limited (GFML), the responsible entity for Goodman Industrial Trust (ARSN 091 213 839), present their Directors' report together with the consolidated financial statements of Goodman Limited and the entities it controlled (Goodman or Group) and the consolidated financial statements of Goodman Industrial Trust and the entities it controlled (GIT) at the end of, or during, the financial year ended 30 June 2021 (FY21) and the audit report thereon.

Shares in Goodman Limited (Company or GL), units in Goodman Industrial Trust (Trust) 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). In respect of stapling arrangements, Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised and accordingly Goodman Limited is identified as having acquired control over the assets of GIT and GLHK. The consolidated financial statements of Goodman Limited therefore include the results of GIT and GLHK.

As permitted by the relief provided in Australian Securities & Investments Commission (ASIC) Instrument 20-0568, the accompanying consolidated financial statements present both the financial statements and accompanying notes of Goodman and GIT. GLHK, which is incorporated and domiciled in Hong Kong, prepares its financial statements under Hong Kong Financial Reporting Standards and the applicable requirements of the Hong Kong Companies Ordinance and accordingly the financial statements of GLHK have not been included as adjacent columns in the consolidated financial statements. The financial statements of GLHK have been included as an appendix to this financial report.

GFML, as responsible entity for the Trust, is solely responsible for the preparation of the accompanying consolidated financial report of GIT, in accordance with the Trust's Constitution and the Corporations Act 2001.

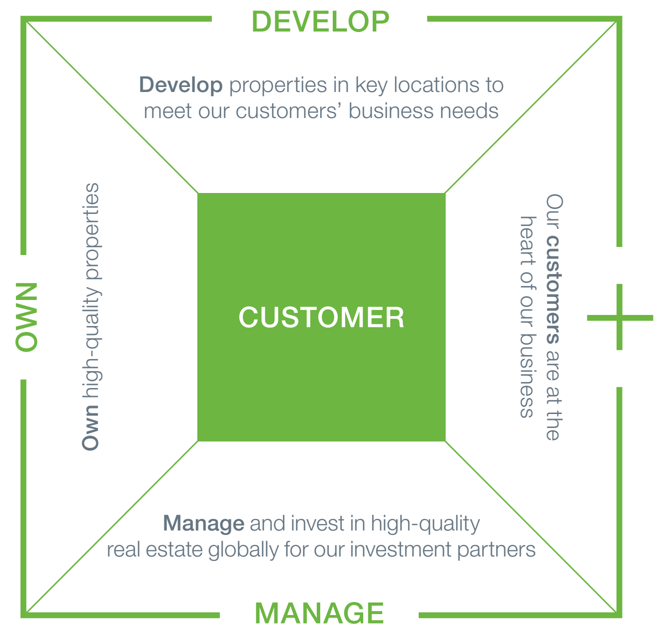
OPERATING AND FINANCIAL REVIEW

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 its chosen key markets around the world.

The principal activities of Goodman during the financial year were investment in directly and indirectly held industrial property, investment management, property services and property development. Goodman's key operating regions during the financial year were Australia and New Zealand, Asia, Continental Europe, the United Kingdom and the Americas.

Goodman strategy



Goodman's purpose is to make space for its stakeholders' ambitions. This purpose is executed through Goodman's integrated business capabilities model – 'own+develop+manage', where its customers' need for sustainable solutions and service excellence in high quality locations, is at the centre.

The business capabilities are supported by:

1. **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, investment partners, suppliers and employees.
2. **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.
3. **Culture and brand** – promote Goodman's unique brand and embed Goodman's core values across each operating division to foster a strong and consistent culture. The core values are:
   - **Innovation** – New ideas push our business forward. We focus on the future, proactively looking for new opportunities and improved solutions for our stakeholders that will make the world a better place for all of us.
   - **Determination** – Determination gets things done. We are motivated by excellence and work hard to achieve it, actively pursuing the very best outcomes for our stakeholders.
   - **Integrity** – We have integrity, always. We work inclusively and transparently, balancing the needs of our business and our people, with the needs of the community and those we do business with.
   - **Sustainability** – We're building our business for the long term. That's why we consider the planet and all the people on it in everything we do. Our initiatives demonstrate our ongoing commitment to having a positive economic, environmental and social impact on the world.
4. **Operational efficiency** – optimise business resources to maximise effectiveness and drive efficiencies.
5. **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.

Directors' report

Operating and financial review (continued)

Financial highlights

	2021	2020	Change %
Revenue and other income before fair value adjustments on investment properties ($M)	2,444.1	1,982.1	23.3%
Fair value adjustments on investment properties including share of adjustments for Partnerships ($M)	1,358.9	651.3	108.6%
Revenue and other income ($M)	3,803.0	2,633.4	44.4%
Profit attributable to Securityholders ($M)	2,311.9	1,504.1	53.7%
Statutory profit per security – basic (¢)	125.4	82.4	52.2%
Operating profit ($M)	1,219.4	1,060.2	15.0%
Operating profit per security (operating EPS) (¢)[1]	65.6	57.5	14.1%
Dividends/distributions in relation to the year ($M)	554.2	548.5	1.0%
Dividends/distributions per security in relation to the year (¢)	30.0	30.0	–
Weighted average number of securities on issue (M)	1,844.2	1,826.0	1.0%
Total equity attributable to Securityholders ($M)	13,161.5	11,520.6	14.2%
Number of securities on issue (M)	1,847.4	1,828.4	1.0%
Net tangible assets per security ($)	6.68	5.84	14.4%
Net assets per security ($)	7.12	6.30	13.0%
External assets under management ($B)	54.0	48.0	12.5%
Total assets under management ($B)	57.9	51.6	12.2%
Development work in progress ($B)[2]	10.6	6.5	63.1%
Gearing (%)[3]	6.8	7.5	
Interest cover[4] (times)	63.7	15.3	
Liquidity ($B)	1.9	2.8	
Weighted average debt maturity (years)	6.3	5.8	

1. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during FY21, including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved. 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 fair value and foreign exchange movements on interest bearing liabilities and other non-cash adjustments or non-recurring items e.g. the share based payments expense associated with Goodman's Long Term Incentive Plan (LTIP).
   As it is closely aligned with operating cash generation, the Directors consider that Goodman's operating profit is a key measure by which to examine the underlying performance of the business, notwithstanding that operating profit is not an income measure under International Financial Reporting Standards.
2. Development work in progress (WIP) is the end value of active developments across Goodman and its investments in associates and joint ventures (referred to as Partnerships).
3. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of certain derivative financial instruments included in other financial assets of $134.1 million (2020: $292.5 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of $62.3 million (2020: $194.0 million).
4. Interest cover is operating profit before net finance expense (operating) and income tax (operating) divided by net finance expense (operating). The calculation is in accordance with the financial covenants associated with the Group's unsecured bank loans and includes certain adjustments to the numerator and denominator.

Overview

The Group has been able to adapt to the challenges that FY21 has brought and has continued to grow the business sustainably for the long term.

The global pandemic has accelerated the changes in consumption trends that had already begun across the physical and digital spaces and this has increased demand for warehouse and logistics facilities. This has benefitted the Group's existing portfolios in FY21, which have reported growth in rental income and maintained high occupancy levels. It has also given the Group confidence to commence a number of new developments, particularly multi-storey and higher intensity buildings within its urban locations, and these developments are providing essential real estate infrastructure for the long-term requirements of those cities and the Group's customers.

This increase in development activity has been a key driver of the Group's operating performance for FY21, with operating profit increasing by 15.0% to $1,219.4 million. This equates to an operating EPS of 65.6 cents, up 14.1% on FY20.

The customer demand for industrial space has led to another strong property valuation result with total property uplifts, including the Group's share of Partnerships, for FY21 of $1,308.5 million. Across FY21, the weighted average capitalisation rate of the stabilised assets in the Goodman portfolios contracted from 4.9% to 4.3%.

The operating performance and property valuation results have contributed to Goodman's statutory profit attributable to Securityholders for FY21 increasing by $807.9 million to $2,311.9 million. The statutory profit is reported net of the accounting expense of the Goodman LTIP of $268.8 million and included a $55.0 million fair value gain on derivatives. These items, as well as the property valuation results, are excluded from the calculation of operating profit.

Goodman has achieved this result while maintaining credit metrics in accordance with its financial risk management policy. At 30 June 2021, gearing was 6.8% and the funds available to the Group for future investment were $1.9 billion. Dividends and distributions relating to FY21 were maintained at 30 cents per security, equivalent to 46% of operating profit. The cash retained in the business is consistent with the financial risk management targets and is considered appropriate given the significant development activity and the commensurate growth in investments that is expected in the near term.

Key operational highlights for FY21:

Property investment:

+ Investment earnings of $411.5 million (2020: $425.2 million)
+ $57.9 billion of total assets under management (AUM), of which the Group owns a whole or a part share
+ 3.2% like for like growth in net property income (NPI) in Partnerships
+ 98% occupancy across the Group and Partnerships.

Management:

+ Management earnings of $459.1 million (2020: $511.2 million)
+ $54.0 billion of external AUM in Partnerships
+ Partnerships reported 17.7% weighted average total return on net assets.

Development:

+ Development earnings of $717.9 million (2020: $575.7 million)
+ $10.6 billion of development WIP (end value)
+ $6.6 billion of development commencements.

Directors' report

Operating and financial review (continued)

Analysis of performance

Goodman's key operating regions are Australia and New Zealand (reported on a combined basis), Asia (Greater China and Japan), Continental Europe (with the vast majority of assets located in Germany and France), the United Kingdom and the Americas (North America and Brazil). The operational performance can be analysed into property investment earnings, management earnings and development earnings, and the Directors consider this presentation of the consolidated results facilitates a better understanding of the underlying performance of Goodman given the differing nature of and risks associated with each earnings stream.

Property investment earnings consist of gross property income (excluding straight lining of rental income), less property expenses, plus Goodman's share of the operating results of Partnerships that is allocable to property investment activities which excludes the Group's share of property revaluations and derivative mark to market movements. The key drivers for maintaining or growing Goodman's property 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 controlling operating and financing costs within Partnerships.

Management earnings relate to the revenue from managing both the property portfolios and the capital invested in Partnerships (management income). This includes performance related revenues but excludes earnings from managing development activities in Partnerships, which are included in development earnings. 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 asset disposals and is also dependent on liquidity including the continued availability of third party capital to fund both development activity and acquisitions across Goodman's Partnerships.

Development earnings consist of development income, plus Goodman's share of the operating results of Partnerships that is allocable to development activities, plus net gains or losses from disposals of investment properties and equity investments that are allocable to development activities, plus interest income on loans to development joint ventures, less development expenses. Development income includes development management fees and also performance related revenues associated with managing individual development projects in Partnerships. The key drivers for Goodman's development earnings are the level of development activity, land and construction prices, property valuations and the continued availability of third party capital to fund development activity.

The analysis of Goodman's performance and the reconciliation of the operating profit to profit attributable to Securityholders for FY21 are set out in the table below:

	Note	2021 $M	2020 $M
Analysis of operating profit			
Property investment earnings		411.5	425.2
Management earnings		459.1	511.2
Development earnings		717.9	575.7
		1,588.5	**1,512.1**
Operating expenses		(294.0)	(292.3)
		1,294.5	**1,219.8**
Net finance expense (operating)[1]		(16.4)	(70.8)
Income tax expense (operating)[2]		(58.7)	(88.8)
Operating profit		**1,219.4**	**1,060.2**
Adjustments for:			
Property valuation related movements			
– Net gain from fair value adjustments on investment properties	6(e)	63.1	45.2
– Share of fair value adjustments attributable to investment properties in Partnerships after tax	6(f)	1,295.8	591.7
– Deferred tax on fair value adjustments on investment properties	5(a)	(50.4)	(15.6)
		1,308.5	**621.3**
Fair value adjustments related to liability management			
– Fair value adjustments on derivative financial instruments	15	83.9	(9.4)
– Share of fair value adjustments on derivative financial instruments in Partnerships	6(f)	(28.9)	16.2
		55.0	**6.8**
Other non-cash adjustments or non-recurring items			
– Share based payments expense	2	(268.8)	(164.0)
– Straight lining of rental income and tax deferred adjustments		(2.2)	(20.2)
		(271.0)	**(184.2)**
Profit for the year attributable to Securityholders		**2,311.9**	**1,504.1**

1. Net finance expense (operating) excludes derivative mark to market and unrealised foreign exchange movements.
2. Income tax expense (operating) excludes the deferred tax movements relating to investment property valuations and other non-operating items, such as the Group's LTIP.

Directors' report

Operating and financial review (continued)
Analysis of performance (continued)

Property investment

Property investment earnings in FY21 of $411.5 million decreased by 3% on the prior year and comprised 26% of the total earnings (2020: 28%).

	2021 $M	2020 $M
Analysis of property investment earnings:		
Direct	79.3	78.5
Partnerships	332.2	346.7
	411.5	**425.2**

	2021	2020
Key metrics:		
Weighted average capitalisation rate (WACR) (%)	4.3	4.9
Weighted average lease expiry (WALE) (yrs)	4.5	4.5
Occupancy (%)	98	98

The Group's property portfolios are concentrated in large, urban centres around the world where demand from customers has put pressure on land use and availability. As a consequence of the acceleration of consumer purchasing habits to online shopping, Goodman has seen increased demand for space from customers in the food, consumer goods and logistics sectors, particularly related to e-commerce operators and those transitioning to online. At the same time, customers have continued to invest in order to improve the efficiency of their supply chains. In addition to storage and movements of goods, data centres have also emerged as a rapidly growing user of industrial property.

The directly held properties are primarily in Australia and have potential for significant long-term growth from redevelopment to more intense or higher and better uses. The net income from the Group's directly held properties was similar to the prior year as the impacts of rental growth, completion of developments and acquisitions were offset by assets sold in the current and prior periods.

The more significant component of the Group's property investment earnings was from its cornerstone interests in the Partnerships. The earnings from the Group's share of these stabilised assets decreased by $14.5 million to $332.2 million compared to the prior year. The impact of disposals in FY20 and FY21, which included properties in central and eastern Europe, and the foreign currency translation on the overseas earnings resulted in a decrease in earnings of $29.0 million. This was partly offset by the stabilisation of developments in FY20 and FY21, as the Group has continued to invest in the Partnerships to fund its share of those developments and rental income growth from existing stabilised properties. Net property income from the Partnership portfolios in FY21 was up by over 3% on a like for like basis compared to FY20 and average occupancy was maintained at 98%.

During FY21, the Group's share of property valuations from the stabilised portfolios (before deferred tax) was $1,174.9 million, which included valuation uplifts of $164.2 million on developments that reached completion during the year. Valuation gains occurred in all regions and whilst the rental income growth and development completions were contributors to these uplifts, the primary driver, especially in the second half of the financial year, was capitalisation rate compression. At 30 June 2021, the WACR for the Group's portfolios was 4.3%, compared to 4.9% at the start of FY21.

The operating return on Goodman's investment in the stabilised portfolios held by the Partnerships was 4.3% compared to 4.9% in FY20, as the growth in net property income was offset by the impacts of the valuation uplifts that increased the investment base. The returns from the Partnerships were also impacted by the level of debt in each Partnership. Gearing was maintained at the lower end of target ranges, which continued to be appropriate given the ongoing development activity and the aim of Goodman and its investment partners to position the Partnerships for sustainable long-term growth.

Management

Management earnings in FY21 of $459.1 million decreased by 10% compared to the prior year and comprised 29% of total operating earnings (2020: 34%). This was due to lower performance fee revenue recognised in FY21 and the net adverse impact of the translation of the overseas earnings compared to the prior year. The reduction in performance related revenue was the result of the timing of calculation and recognition of fees. With the strong performance of the Partnerships in recent times, a significant backlog of potential fees may be earned in the future should conditions remain stable. The decline was partially offset by the higher base management fees as a result of the increased AUM. During FY21, external AUM increased by 12% to $54.0 billion from $48.0 billion as set out below:

External assets under management

	2021 $B
At the beginning of the year	48.0
Acquisitions	3.1
Disposals	(3.1)
Capital expenditure (developments)	2.1
Valuations	5.6
Foreign currency translation	(1.7)
At the end of the year	**54.0**

Excluding performance related income, management fee income earned from the overall management of the Group's Partnerships was $310.1 million (2020: $304.0 million). Base management fee income increased in line with the external AUM, noting that the majority of the disposals occurred in the early part of the year and a significant component of the valuation uplifts were recorded at 30 June 2021. The base management fee income was supplemented by both property services income, which was based on the gross property income in Partnerships, and other income such as leasing fees and transactional fees.

For FY21, the Partnerships reported a weighted average total return on net assets of 17.7% (2020: 16.6%). The consistently high Partnership returns over the past few years again resulted in a strong contribution from performance fee revenue of $149.0 million; however, the timing of the assessment dates meant this was down on the prior period (FY20: $207.2 million). These performance fees arose primarily in Australia/New Zealand, Asia and Continental Europe.

Development

In FY21, development earnings were $717.9 million (excluding revaluation gains), an increase of 25% on the prior year and comprised 45% of total operating earnings (2020: 38%). This increase would have been greater but for the adverse impact on earnings from the foreign currency translation of overseas earnings.

The increase in the Group's earnings has primarily been volume driven and the progress and execution of the Group's developments continues to be robust with commencements in FY21 of $6.6 billion (FY20: $4.5 billion). At 30 June 2021, WIP (based on end value) had increased to $10.6 billion (FY20: $6.5 billion) across 73 projects with a forecast yield on cost of 6.7% and a number of those projects will also generate income for FY22 and FY23.

This increase in development volumes has more than offset the impact on income arising from the longer development timeframes required for the size and scale of current projects, given the concentration in urban locations. Approximately 55% of WIP at 30 June 2021 was multi-storey and the average duration of projects in WIP was around 19 months, which implied an annualised production rate for the workbook of $6.6 billion.

Given the strong customer demand and the continued focus on urban centres, where the supply of available land is restricted, the Group has been able to commence certain projects prior to securing a pre-lease commitment. Nevertheless, of the $6.6 billion of project commencements during the year, 57% had pre-committed leases and of the development completions during FY21 of $2.4 billion (FY20: $2.4 billion), 96% had pre-committed leases.

The Group's development earnings arise in each operating segment and from a number of different transaction types, often dependent on the nature of the Partnership. In most of the operating segments, development earnings are a mix of development management income, including performance related income, and the Group's share of transactional profits reported by the Partnerships. The majority of inventory disposals and fixed price contract income occurred in Continental Europe, where the local Partnerships frequently acquire completed developments from Goodman; however, there were inventory disposals in Australia and the United Kingdom during FY21. Consistent with the prior year, the majority of development activity in FY21 was undertaken by or for the Partnerships and third parties (81% of WIP at 30 June 2021).

Directors' report

Operating and financial review (continued)
Analysis of performance (continued)

Operating expenses

For FY21, operating expenses increased to $294.0 million from $292.3 million, despite a $10 million decrease from the impact of foreign currency translation on overseas expenses. The majority of the operating expenses related to remuneration costs which increased to $210.8 million from $203.7 million as a result of modest inflation pressure and cash incentives paid as a result of the Group's overall performance and include an allowance for a sustainability initiative to incentivise employees to switch to electric vehicles. Headcount was maintained in most divisions. The Group's aim is to keep base remuneration costs relatively steady, and instead use variable remuneration to incentivise staff.

Administrative expenses decreased to $83.2 million from $88.9 million primarily due to the impacts of foreign currency translation and savings in travel expenses.

Net finance expense (operating)

Net finance expense (operating), which excluded interest income on loans to development joint ventures, derivative mark to market and unrealised foreign exchange movements, decreased to $16.4 million from $70.8 million. This was due to lower borrowing expenses on the Group's foreign denominated loans and derivatives due to the impact of the higher Australian dollar. The foreign exchange driven decline in investment, development and management earnings described above has been offset in the benefits recorded in the finance expense. This is consistent with the Group's hedging strategy that has been in effect for many years. In some prior periods, the borrowing expenses where higher but that offset the translation gains in revenues. The redemption of certain 144A notes also contributed to the decline in net finance expenses. These factors were partly offset by the lower interest received on the Group's cash balances and lower capitalised interest due to declining interest rates.

Income tax expense (operating)

Income tax expense (operating) for FY21 at $58.7 million (2020: $88.8 million) decreased compared to the prior year. A significant proportion of Goodman's earnings related to GIT and its controlled entities, which, as trusts, are 'flow through' entities under Australian tax legislation, meaning Securityholders (and not GIT) are taxed on their respective share of income. However, the decrease in the tax expense was primarily due to the nature and location of the Group's development revenues.

Capital management

Interest bearing liabilities

At 30 June 2021, the Group's available debt facilities and fixed rate long-term bonds, which totalled $3.1 billion (of which $2.1 billion had been drawn), had a weighted average maturity of 6.3 years. The Group's cash and undrawn bank facilities totalled $1.9 billion.

At 30 June 2021, gearing was 6.8% (2020: 7.5%), which continued to be at the lower end of the Group's policy range of 0% to 25%. Interest cover was 63.7 times (2020: 15.3 times) and the Group continued to have significant headroom relative to its financing covenants. Goodman's credit ratings were unchanged over the year.

During FY21, the Group and its Partnerships refinanced $5.4 billion of bank debt and secured third party equity commitments of $1.8 billion to provide liquidity for ongoing acquisition and development opportunities. At 30 June 2021, the Partnerships had $18.1 billion in available cash, undrawn bank facilities and equity commitments, noting that the majority of the equity commitments remain subject to the approval by the relevant investment partners, including Goodman, of proposed property investments for which the funding is required.

Dividends and distributions

The Group's distribution for FY21 was maintained at 30 cents per security, a pay-out ratio of 46%, with 15 cents paid on 25 February 2020 and 15 cents to be paid on 26 August 2021. This pay-out ratio has assisted the Group in retaining sufficient funds for its ongoing development activity and in keeping gearing at an appropriate level, within the desired range. The distribution reinvestment plan was not in operation during the year.

In respect of the separate components that comprise the 30 cents per security:

+ Goodman Limited did not declare any dividends during the financial year (2020: $nil).
+ Goodman Industrial Trust declared and accrued distributions of 24.0 cents per security (2020: 26.0 cents per security), amounting to $443.4 million (2020: $475.4 million).
+ GLHK declared and accrued a dividend of 6.0 cents per security (2020: 4.0 cents per security), amounting to $110.8 million (2020: $73.1 million).

Summary of items that reconcile operating profit to statutory profit

Property valuation related movements

The net gain from fair value adjustments on investment properties directly held by Goodman was $63.1 million (2020: $45.2 million). The uplift in value was primarily due to the contraction in capitalisation rates.

Goodman's share of net gains from fair value adjustments before deferred tax attributable to investment properties in Partnerships was $1,335.4 million (2020: $625.0 million), a reflection of the quality of the property portfolios and the continued customer and investor demand for industrial assets. This valuation uplift comprised $1,111.8 million in respect of the stabilised portfolio (including valuation uplifts on developments that stabilised during the year) and $223.6 million (2020: $182.0 million) from investment properties that were still under development at 30 June 2021.

At 30 June 2021, the WACR for Goodman's stabilised property portfolios (both directly held and Partnerships) decreased from 4.9% to 4.3%.

The valuation gains of $223.6 million from investment properties that were still under development at 30 June 2021 included gains of $95.9 million that related to buildings under development that were subject to conditional contracts for sale. In prior years, properties under development were typically not revalued prior to completion due to the shorter development periods and, as a consequence, the entire development profit was recognised in the Group's statutory profit in the year the contract was completed. This profit was also reported as Development earnings in the analysis of the Group's operating profit.

Given the lengthening time periods for the Group's developments, it has become increasingly common that at reporting dates properties under development that have incomplete contracts for disposal are subject to more significant fair value movements. These movements would be reflected in the Group's statutory profit but would not form part of that year's operating profit. The Board intends, however, that any property valuation gains associated with properties contracted for sale that arise during the period from the commencement of the development until the date of disposal are included as Development earnings for the purposes of the Group's operating profit calculation, but this should only occur in the reporting period when the conditions have been satisfied and the properties have been derecognised. This will usually be upon cash settlement, which reinforces the principle for determining operating profit based on cash realisation.

Accordingly, the fair value gains of $95.9 million in FY21 that related to buildings under development subject to conditional contracts for sale at 30 June 2021 will be reflected in operating profit, but only in the future reporting period when the properties are derecognised. In the future period when this occurs, the reconciliation of the Group's statutory profit to the Group's operating profit will include a separate line item under the property valuation related movements. This way, the valuation increases are not double counted when considering total gains generated over multiple periods. This operating profit treatment is consistent with the approach applied to a similar property disposal by one of the Partnerships that was contracted in FY19 and completed in FY20. In respect of the current financial year, there were no similar development completions.

There were no impairment losses associated with the Group's inventories during FY21.

Fair value adjustments and unrealised foreign currency exchange movements related to liability management

The amount reported in the income statement associated with the Group's derivative financial instruments was a net gain of $55.0 million (2020: $6.8 million net gain). This was due to the strengthening of the Australian dollar against the currencies where the Group has its principal operations.

Under the Group's policy, it continues to hedge between 65% and 90% of the net investment in its major overseas operations. Where Goodman invests in foreign assets, it will borrow in that currency or enter into derivative financial instruments to create a similar liability. In so doing, Goodman reduces 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. In FY21, the movement in reserves attributable to foreign currency movements was a loss of $279.4 million.

Other non-cash adjustments or non-recurring items

The principal other non-cash adjustments or non-recurring items for FY21 related to the share based payments expense of $268.8 million for Goodman's LTIP, which increased from $164.0 million in FY20. The increase primarily related to the fact that the Goodman Group security price increased from $14.85 to $21.17 during FY21 compared to a decrease from $15.03 to $14.85 in FY20 and also the impact of a higher vesting probability applied to the awards made in FY20 that are subject to an operating EPS target that will be measured over the year ending 30 June 2022.

Directors' report

Operating and financial review (continued)

Statement of financial position

	2021 $M	2020 $M
Stabilised investment properties	2,022.2	1,797.9
Cornerstone investments in Partnerships	8,668.6	7,807.3
Development holdings	3,645.1	3,140.1
Intangible assets	822.6	845.8
Cash and cash equivalents	920.4	1,781.9
Other assets	788.1	765.2
Total assets	**16,867.0**	**16,138.2**
Interest bearing liabilities	2,060.3	2,938.5
Other liabilities	1,645.2	1,679.1
Total liabilities	**3,705.5**	**4,617.6**
Net assets	**13,161.5**	**11,520.6**

The carrying value of wholly owned, stabilised investment properties increased by $224.3 million to $2,022.2 million at 30 June 2021. This was primarily due to valuation uplifts of $63.1 million and the net impact of acquisitions, capital expenditure, disposals and transfers to/from development.

The value of Goodman's cornerstone investments in Partnerships, which excludes the Group's share of their development assets, increased by $861.3 million to $8,668.6 million, primarily due to the valuation uplifts across the portfolios. The impacts of the stabilisations of development properties of $267.9 million (primarily in GNAP) and the associated equity contributed was offset by the impact of foreign currency translation of $279.2 million. The impact of the sale of central and eastern European assets went partially to debt reduction so it did not materially impact the Group's overall investments.

Goodman's development holdings, which include the Group's share of development assets in the Partnerships as well as the directly held properties, increased during the year by $505.0 million to $3,645.1 million. This was a result of both the increased activity levels that occurred in most regions and valuation uplifts associated with investment properties under development in the Partnerships (primarily in Asia and North America). The strong levels of development activity are also reflected in the level of the Group's development WIP (end value), which increased over the year from $6.5 billion to $10.6 billion at 30 June 2021.

The principal goodwill and intangible asset balances were in Continental Europe and the United Kingdom. The movement during FY21 related to changes in foreign currency exchange rates and there were no impairments or reversals of impairments.

During FY21, the Group redeemed USD denominated notes of US$453.8 million out of its existing cash. On a net basis, the Group's cash and interest bearing liabilities were $1,139.9 million at 30 June 2021 compared to $1,156.6 million at 30 June 2020.

Other assets included receivables and the fair values of derivative financial instruments that are in an asset position. The derivative financial instruments, both those in an asset and those in a liability position, are in place to hedge the Group's interest rate and foreign exchange rate risks.

Other liabilities included trade and other payables, the provision for dividends/distributions to Securityholders, fair values of derivative financial instruments that are in a liability position and tax liabilities (including deferred tax).

Cash flows

	2021 $M	2020 $M
Operating cash flows	1,114.7	1,156.9
Investing cash flows	(549.9)	(306.4)
Financing cash flows (excluding dividends and distributions)	(797.7)	(114.6)
Dividends and distributions paid	(551.4)	(546.3)
Net (decrease)/increase in cash and cash equivalents held	(784.3)	189.6
Cash and cash equivalents at the beginning of the year	1,792.8	1,607.1
Effect of exchange rate fluctuations on cash held	(88.1)	(3.9)
Cash and cash equivalents at the end of the year	**920.4**	**1,792.8**

Operating cash flows

Operating cash flows of $1,114.7 million were slightly lower than the prior year. This was a result of lower cash receipts from portfolio performance fees, which was offset by an increase in the net development cash flows and lower net cash outflows associated with the Group's finance costs.

The receipts of portfolio performance fees are dependent on the assessment dates for the Partnerships although revenues may be recognised in advance of the assessment dates where the consistently strong Partnership returns mean that the receipt of revenue is highly probable. The prior year included cash receipts from portfolio performance fees in respect of certain of the larger Partnerships. In some cases, cash from management activities may be received in advance of the services being provided; as a result, these revenues will be reflected in the income statement later than the receipt. Such cash receipts occurred in FY20 in advance of revenue recognised in FY21 in the income statement.

The net development cash inflow was $612.9 million (2020: $412.4 million), although both the gross receipts from development activities of $1,560.3 million (2020: $1,031.4 million) and the gross payments for development activities of $947.4 million (2020: $619.0 million) were higher than the prior year. This arose in part due to the nature and structure of the development activities and also the timing of completions, especially in respect of the developments that are undertaken directly by the Group and subsequently sold to Partnerships or third parties. For FY21 overall, Goodman undertook a similar percentage of its total development activities in joint ventures and Partnerships relative to the prior year. When Partnerships require funding for development activities then the Group's share of the investment is reported in investing cash flows.

The distributions received from Partnerships in FY21 were $536.9 million, increased from $462.2 million in the prior year. The Partnerships continued to distribute their net cash flows from property investment (rental income) but the primary reason for this increase was the Group's share of development activities in the Partnerships.

Investing cash flows

Investing cash flows primarily related to the net investments in Partnerships. In FY21 the Group invested $790.3 million (2020: $806.6 million) across all regions in order to fund new and ongoing developments. Capital returns from the Partnerships reflected capital management initiatives by certain Partnerships, with the receipts often used to fund investments in other Partnerships.

The investment property acquisitions of $192.3 million (2020: $234.3 million) were in Asia and the United Kingdom and the investment property disposals arose in Australia.

Financing cash flows

Financing cash flows include the drawdowns and repayments associated with Goodman's interest bearing liabilities. As referred to previously, the Group redeemed USD denominated notes of US$453.8 million during the year.

The other principal financing cash outflows were the distributions paid to Securityholders of $551.4 million (2020: $546.3 million) and loan funding provided to development joint ventures of $135.0 million (2020: $ 9.8 million).

During FY21, the Group also issued new capital of $65.1 million (2020: $nil) to fund certain obligations under the LTIP.

Outlook

Goodman has developed significant expertise in its markets with a deliberate strategy to target high barrier to entry markets. This has positioned the Group well for future growth.

The business remains agile and consumer-centric, focused on the changing consumption habits across the physical and digital space and the evolving requirements of customers around the world. The logistics and warehousing sector continues to play a significant role globally in providing essential infrastructure, enabling distribution of critical products.

Development activity and performance will continue to be driven by significant customer led demand and the Group's ability to meet the opportunities that this presents. The growth in demand from customers and investors, and the strength of the Group's locations have seen land values rise and as a result many of Goodman's existing stabilised properties have become viable for redevelopment. The Board expects the increased levels of development activity seen in FY21 will continue into FY22 and the Group is well positioned to maintain an average annual production rate consistent with the current levels, with multi-storey developments a meaningful contributor.

The outlook for investment and management earnings also remains strong, as the customer demand and supply constraints in the Group's markets provide support for both rents and occupancy. Investment earnings will also benefit from the completion of the ongoing developments and management earnings will be further enhanced by the strong positive near-term valuation outlook, which combined with the sustained development volumes, are expected to provide growth in AUM to more than $65 billion in FY22.

The Board sets financial performance targets annually and reviews them regularly. The Board anticipates that the challenges brought about by COVID-19 will continue over the longer term, however the Group has significant expertise, financial resources, a strategic real estate portfolio and culture to adapt to challenging business conditions. Overall, the Group expects to achieve operating EPS of 72.2 cents in FY22, up 10% on FY21.

Forecasts are subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events.

Directors' report

Risks

Goodman identifies strategic and operational risks for each of its regions 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 to manage the risks 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 separate committees to review and assess key risks. The Risk and Compliance Committee reviews and monitors a range of material risks in Goodman's risk management systems including, among other risks, market risks, operational risks, sustainability, regulation and compliance and information technology. The Audit Committee reviews and monitors financial risk management and tax policies.

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 (debt, equity and cashflow)	Goodman could suffer an inability to deliver its strategy, or an acute liquidity or solvency crisis, financial loss or financial distress as a result of a failure in the design or execution of its capital management and financing strategy.	+ Low gearing, ample liquidity and appropriate hedging and duration to absorb market shocks + Appropriate hedging quantities and duration in accordance with Financial Risk Management Policy + Diversification and tenure of debt funding sources and maturities + Capital partnering transfers risks into Partnerships + Diversification of investment partners + Change in distribution pay-out ratio consistent with contribution to increasing development workbook + Strong assets that can generate better rental outcomes + Long lease terms with prime customers + Key urban market strategy – urban infill locations support re-usability of property + Adaptable and re-usable building design – ease to reconfigure for another customer.
Economic and geopolitical environment	Global economic conditions and government policies present both risks and opportunities in the property and financial markets and the business of our customers, which can impact the delivery of Goodman's strategy and its financial performance. A continued increase in geopolitical tension between countries could have potential consequences on our people, operations and capital partners.	+ Global diversification of Goodman's property portfolios + Focus on core property portfolios in key urban market locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks + Co-investment with local capital partners.
Governance, regulation and compliance	Non-compliance with legislation, regulators, or internal policies, or to understand and respond to changes in the political and regulatory environment (including taxation) could result in legal action, financial consequences and damage our standing and reputation with stakeholders.	+ Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Chief Risk Officer and Compliance Officer + Review of transactions by the Group Investment Committee.
People and culture	Failure to recruit, develop, support and retain staff with the right skills and experience may result in significant underperformance or impact the effectiveness of operations and decision making, in turn impacting business performance. Maintaining an organisational culture, in a changing workplace environment, commensurate with Goodman's values.	+ Succession planning for senior executives + Competitive remuneration structures, including the LTIP + Performance management and review + Goodman values program + Learning, development and engagement programs.

	Risk area	Mitigation
Development	Development risks may arise from location, site complexity, planning and permitting, infrastructure, size, duration along with general contractor capability.	+ Review of development projects by the Group Investment Committee + Goodman defined design specifications, which cover environmental, technological, and safety requirements, protecting against short-term obsolescence + Redevelopment of older assets to intensify use + Pre-selecting and engaging general contractors that are appropriately capitalised + Internal audit reviews + Insurance program, both Goodman and general contractor, including project specific insurance + Ongoing monitoring and reporting of WIP and levels of speculative development, with Board oversight including limits with respect to speculative development and higher development risk provisions.
Disruption, changes in demand and obsolescence	The longer-term risk that an inability to understand and respond effectively to changes in our competitive landscape and customer value chain could result in business model disruption and asset obsolescence, including the perception of obsolescence in the short term.	+ Key urban market strategy – urban infill locations support re-usability of property + Adaptable and re-usable building design – ease to reconfigure for another customer + Geographic diversification + Capital partnering transfers risks into Partnerships + Insurance program (both Goodman's and key contractors), including project specific insurance covering design and defects + Long lease terms with prime customers.
Environmental sustainability and climate change	Failure to deliver on Goodman's sustainability leadership strategy and ambitions may lead to a negative impact on Goodman's reputation, ability to raise capital and a disruption to operations and stranded assets.	+ Corporate Responsibility and Sustainability policy + 2030 Sustainability Strategy including the assessment of individual assets to improve resilience and implementation of sustainability initiatives + Sustainability guidelines for development projects + Review and approval of acquisitions and development projects by the Group Investment Committee and relevant Partnership Investment Committee, including consideration of climate in due diligence and specification.
Asset and portfolio	Inability to execute asset planning and management strategies, including leasing risk exposures, can reduce returns from Goodman's portfolios.	+ Key urban market strategy – urban, infill locations where customer demand is strongest + Diversification of customer base and lease expiries + Review of significant leasing transactions and development projects by the Group Investment Committee + Capital expenditure program keeping pace with property lifecycle.
Concentration of counterparties and markets	Over-exposure to specific areas, such as capital partners, supply chain, customers and markets, may limit growth and sustainability opportunities.	+ Diversification of customer base and lease expiries + Diversification of capital partners and Partnership expiries + Contractor pre-selection and tendering + Independence governance structure.
Information and data security	Maintaining security (including cyber security) of IT environment and data, ensuring continuity of IT infrastructure and applications to support sustainability and growth and prevent operational, regulatory, financial and reputational impacts.	+ Reporting of risks and management activity + Proactive monitoring, review and testing of infrastructure + Disaster recovery and business continuity planning and testing + Benchmarked strategy for delivery of security IT infrastructure and systems + Training and awareness program and other assurance activities for monitoring and improvement.
Infectious disease pandemic	There continues to be significant uncertainty associated with the COVID-19 pandemic, with mutations of the virus and significant outbreaks continuing to occur globally. While vaccine distribution is underway, there are challenges with production and supply. Also the success of the vaccine in enabling the world to stabilise and transition to a normal footing is still to be understood.	+ Protect and support our people + Global diversification of Goodman's property portfolios + Diversification of customer base + In-house property management team enabling flexibility to support and respond to customers + Capital model, strong balance sheet with adequate liquidity available.

Directors' report

(continued)

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY

Board of Directors

Stephen Johns
Independent Chairman

Stephen is the Independent Chairman following the retirement of Ian Ferrier at the 2020 AGM. He is a Non-executive Director of Goodman Limited, Goodman Funds Management Limited and Goodman Logistics (HK) Limited.

Appointed: 1 January 2017 (Goodman Limited and Goodman Funds Management Limited); 19 November 2020 (Goodman Logistics (HK) Limited).

Board Committees: Member of the Audit Committee and Remuneration Committee and Chairman of the Nomination Committee.

Skills, Experience and Expertise

Stephen retired as Chairman of Brambles Limited in June 2020 after a period of 16 years on that Board and was previously Chairman of Leighton Holdings Limited and Spark Infrastructure Group.

Stephen is a former executive of Westfield Group where he had a long executive career during which he held a number of senior positions including that of Finance Director from 1985 to 2002. He was a non-executive director of Westfield Group from 2003 to 2013.

He has a Bachelor of Economics degree from the University of Sydney and is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Other Directorships and Offices

+ Director of the Garvan Institute of Medical Research.

Former directorships of other listed entities in the past three years

+ Brambles Limited (August 2004 to June 2020).

Ian Ferrier, AM
Independent Chairman (retired)

Ian was the Independent Chairman (appointed on 28 July 2009 having been Acting Chairman from 28 November 2008). He was also a Non-executive Director of Goodman Limited, Goodman Funds Management Limited and Goodman Logistics (HK) Limited (since 22 February 2012) until his retirement at the 2020 AGM.

Appointed: 1 September 2003 and retired on 19 November 2020.

Board Committees: Member of the Audit Committee and Remuneration Committee until his retirement.

Skills, Experience and Expertise

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.

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.

Other Directorships and Offices

+ Director of EnergyOne Limited (from January 2007).

Former directorships of other listed entities in the past three years

+ Reckon Limited (August 2004 to July 2018).

Gregory Goodman
Group Chief Executive Officer

Gregory is the Managing Director of Goodman Limited and Goodman Funds Management Limited and Group Chief Executive Officer of Goodman. He is also an alternate director of Goodman Logistics (HK) Limited.

Appointed: 7 August 1998 (Goodman Limited and 17 January 1995 Goodman Funds Management Limited); 18 January 2012 (Goodman Logistics (HK) Limited).

Board Committees: Nil.

Skills, Experience and Expertise

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 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.

Other Directorships and Offices

+ Director of Goodman (NZ) Limited (the manager of the New Zealand Exchange listed Goodman Property Trust)
+ Director and/or representative on other subsidiaries and management companies of the Consolidated Entity and Partnerships.

Christopher Green
Independent Director

Chris is an Independent Non-executive Director of Goodman Limited and Goodman Funds Management Limited.

Appointed: 28 April 2019.

Board Committees: Member of the Audit Committee and Nomination Committee.

Skills, Experience and Expertise

Chris spent 16 years at Macquarie Group and was the Global Head of Macquarie Capital's real estate business leading its global expansion through to 2018. He has a Bachelor of Laws (Honours) degree and a Bachelor of Commerce (Computer Science and Accounting) degree from the University of Sydney.

Chris is also the Founder and Chief Executive Officer of GreenPoint Partners, a New York headquartered firm investing in real estate innovation, technology and private equity.

Other Directorships and Offices

+ Chief Executive Officer of GreenPoint Partners.

Mark Johnson
Independent Director

Mark is an Independent Non-executive Director of Goodman Limited and Goodman Funds Management Limited.

Appointed: 1 June 2020.

Board Committees: Chairman of the Audit Committee and member of the Risk and Compliance Committee.

Skills, Experience and Expertise

Mark is a trained accountant and spent 30 years at PricewaterhouseCoopers (PwC) where he was CEO from 2008 to 2012 as well as holding positions as Asian Deputy-Chairman and as a member of PwC's global strategy council.

Mark also has extensive experience as a Director of charities, educational bodies and mutual organisations and he is currently a Director of the Smith Family, a Councillor at UNSW Sydney and the Chairman of the Hospitals Contribution Fund of Australia.

Mark holds a Bachelor of Commerce (UNSW) degree and is a Fellow, Chartered Accountants Australia and New Zealand, Certified Practicing Accountant Australia and Fellow, Australian Institute of Company Directors.

Other Directorships and Offices

+ Chairman of G8 Education Limited
+ Director of Corrs Chambers Westgarth
+ Director of Aurecon Group Pty Ltd.

Former directorships of other listed entities in the past three years

+ Westfield Corporation Limited (May 2013 to June 2018)
+ Coca-Cola Amatil Limited (December 2016 to May 2021).

Rebecca McGrath
Independent Director

Rebecca is an Independent Non-executive Director of Goodman Limited and Goodman Funds Management Limited.

Appointment: 3 April 2012.

Board Committees: Chairman of the Risk and Compliance Committee and Member of the Remuneration Committee and the Nomination Committee.

Skills, Experience and Expertise

During her executive career at BP plc Rebecca 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 was formerly a director of CSR Limited and Incitec Pivot Limited.

Rebecca holds a Bachelors Degree of Town Planning and a Masters of Applied Science (Project Management) and is a graduate of the Cambridge University Business and Environment Programme. She is Victorian Council President of the Australian Institute of Company Directors and a member of the national board.

Other Directorships and Offices

+ Chairman of Oz Minerals Limited (Director since November 2010)
+ Director of Macquarie Group Limited and Macquarie Bank Limited (since January 2021)
+ Director of Investa Wholesale Funds Management Limited
+ Chairman of Scania Australia Pty Limited.

Former directorships of other listed entities in the past three years

+ Incitec Pivot Limited (September 2011 to December 2020).

Danny Peeters
Executive Director, Corporate

Danny is an Executive Director of Goodman Limited, Goodman Funds Management Limited and Goodman Logistics (HK) Limited.

Appointed: 1 January 2013 (Goodman Limited and Goodman Funds Management Limited); 1 February 2018 (Goodman Logistics (HK) Limited).

Board Committees: Nil.

Skills, Experience and Expertise

Danny has oversight of Goodman's European and Brazilian operations and strategy. Danny has been with Goodman since 2006 and has 19 years of experience in the property and logistics sectors.

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.

Directors' report

(continued)

Danny was Chief Executive Officer of Eurinpro, a developer of tailor-made logistic property solutions in Europe acquired by Goodman in May 2006.

Other Directorships and Offices

Director and/or representative of Goodman's subsidiaries and Partnership entities in Europe and Brazil.

Phillip Pryke
Independent Director

Phillip is an Independent Non-executive Director of Goodman Limited and Goodman Funds Management Limited.

Appointed: 13 October 2010.

Board Committees: Chairman of the Remuneration Committee and Member of the Audit Committee.

Skills, Experience and Expertise

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

Phillip is currently a director of Carbine Aginvest Corporation Limited. He was formerly the Deputy Chairman and Lead Independent Director of New Zealand Exchange listed Contact Energy Limited, a director of Tru-Test Corporation Limited and North Ridge Partners Pty Limited, Vice President of EDS, Chief Executive of Nextgen Networks, Chief Executive Officer of Lucent Technologies Australia Pty Limited and New Zealand Health Funding Authority and a Member of the Treaty of Waitangi Fisheries Commission.

Other Directorships and Offices

Director of Goodman (NZ) Limited, the manager of the New Zealand Exchange listed Goodman Property Trust, Director of Carbine Aginvest Corporation Limited.

Anthony Rozic
Deputy Chief Executive Officer and Chief Executive Officer North America

Anthony is an Executive Director of Goodman Limited and Goodman Funds Management Limited.

Appointed: 1 January 2013.

Board Committees: Nil.

Skills, Experience and Expertise

Anthony is an Executive Director and Deputy Chief Executive Officer (since August 2010). He was appointed Chief Executive Officer, North America in September 2016, and in that role is responsible for setting and managing the strategy, business performance and corporate transactions for the Group's North American business.

Anthony joined Goodman in 2004 as Group Chief Financial Officer and was appointed Group Chief Operating Officer in February 2009 before taking on his current positions.

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.

Other Directorships and Offices

Director and/or representative of Goodman's subsidiaries and Partnership entities in North America.

Penny Winn
Independent Director

Penny is an Independent Non-executive Director of Goodman Limited and Goodman Funds Management Limited.

Appointed: 1 February 2018.

Board Committees: Member of the Remuneration Committee and Risk and Compliance Committee.

Skills, Experience and Expertise

Penny has over 30 years of experience in retail, supply chain and digital strategy in senior management roles in Australia and overseas, including as Director Group Retail Services with Woolworths Limited (2011 to 2015) where she was responsible for leading the Logistics and Information Technology divisions, Online Retailing and the Customer Engagement teams across the organisation. She has previously served as a director of a Woolworths business, Greengrocer.com, a Myer business, sass & bide, and Quantium Group.

Penny is a graduate of the Australian Institute of Company Directors and holds a Bachelor of Commerce from the Australian National University and a Master of Business Administration from the University of Technology, Sydney.

Other Directorships and Offices

+ Director of CSR Limited (since November 2015)
+ Director of Ampol Limited (since November 2015).

Former directorships of other listed entities in the past three years

+ Port Waratah Coal Services Limited (June 2015 to December 2019)
+ Coca-Cola Amatil Limited (December 2019 to May 2021).

Company Secretary

Carl Bicego
Group Head of Legal and Company Secretary

Appointed: 24 October 2006.

Skills, Experience and Expertise

Carl is the Group Head of Legal and Company Secretary of the Company. He was admitted as a solicitor in 1996 and joined Goodman from law firm Allens in 2006. Carl holds a Master of Laws and Bachelor of Economics/Bachelor of Laws (Hons).

Directors' meetings (GL and GFML)

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

	Board meetings		Audit Committee meetings		Remuneration Committee meetings[5]		Risk and Compliance Committee meetings		Nomination Committee meetings[6]	
Directors	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Stephen Johns[2]	10	10	4	4	3	3	1	1	1	1
Ian Ferrier[3]	5	5	1	1	2	2	–	–	–	–
Gregory Goodman	10	10	–	–	–	–	–	–	–	–
Christopher Green	9	9	4	4	–	–	–	–	1	1
Mark Johnson[4]	10	10	4	4	–	–	3	3	–	–
Rebecca McGrath	10	10	–	–	5	5	4	4	1	1
Danny Peeters	9	8	–	–	–	–	–	–	–	–
Phillip Pryke	10	10	4	4	5	5	–	–	–	–
Anthony Rozic	9	9	–	–	–	–	–	–	–	–
Penny Winn	10	10	–	–	5	5	4	4	–	–

1. Reflects the number of meetings individuals were entitled to attend.
2. Stephen Johns was appointed Chairman of Goodman on 19 November 2020. He concurrently resigned as Chairman of the Audit Committee while remaining a member, commenced as a member of the Remuneration Committee and resigned as a member of the Risk and Compliance committee.
3. Ian Ferrier retired on 19 November 2020.
4. Mark Johnson was appointed Chairman of the Audit Committee on 19 November 2020 and commenced as a member of the Risk and Compliance Committee on 19 November 2020.
5. The Remuneration Committee was formerly known as the Remuneration and Nomination Committee until it was reconstituted on 18 February 2021.
6. The Nomination Committee was established on 18 February 2021 and held the first meeting in March 2021.

Directors' report

Remuneration report – audited

Dear Securityholders,

On behalf of the Board, we are pleased to present the 2021 remuneration report, outlining Goodman's remuneration strategy and principles.

The financial year 2021 (FY21) has been marked by the ongoing impact of the COVID-19 pandemic and the associated challenges for Goodman's business, our people, customers, investors and the communities in which we operate and live.

During this time and amid physical changes to the working environment, Goodman's culture and long-term focus on building leadership capability and resilience in our assets, has allowed us to continue to respond and adapt. Our business plays an important role in providing essential infrastructure as well as aspiring to make a tangible difference to the communities in which we operate, and Goodman has reacted to the crisis through increasing support to affected groups. We appreciate the exceptional effort that has been made by our people.

Managing the welfare of employees has been a critical consideration in achieving the Group's financial and operational targets. Goodman has moved to a fully flexible operating environment with all our people globally set up with access to mobile connectivity, to mitigate the impact of the pandemic on personal situations. We believe over time this will lead to improved diversity in the workforce. Managers within the Group, in particular the senior executives, have demonstrated significant levels of leadership, compassion and commitment in their efforts to achieve the Group's commercial objectives.

Goodman is a leading internationally diversified real estate fund manager in the logistics real estate sector. The attraction and retention of talent is essential for the long-term success of the business. This is increasingly challenging as opportunistic competitors seek to recruit Goodman's high-performing teams, exacerbated by significantly increased demand for logistics real estate in our markets.

Our longstanding and consistent approach to remuneration has served us well and has been a key driver of our sustained success as an international business. Goodman's remuneration framework is essential to attracting and retaining high quality professionals with local expertise, who develop businesses and foster relationships globally and drive Goodman's long-term success. This approach aligns the interests of employees and Securityholders and is integral to the exceptional results delivered for Securityholders over a sustained period.

Sustained performance

Over more than a decade, the Group has established strong and resilient leadership teams, culture, financial resources and a strategic real estate portfolio, to enhance the sustainability of earnings through difficult market conditions. This has allowed us to adapt to the new operating environment with limited disruption and continue to position for long-term growth. The Board is proud that Goodman has performed strongly through this period and our long-term vision, which includes a strong focus on cash flow, liquidity, and risk management, has been executed consistently and diligently.

Total securityholder return (TSR) for the Group versus comparable indices is detailed below, indicating sustained material outperformance over many years:

Total securityholder returns	1 year %	3 years %	5 years %	10 years %
Goodman[1]	44.7	133.4	236.9	742.1
S&P/ASX 20	32.7	41.7	86.5	181.3
S&P/ASX 100	29.2	37.5	81.9	185.5
S&P/ASX 200 A-REIT	33.3	25.3	33.1	204.9
MSCI World REITs[2]	39.0	52.1	99.6	175.2

Source: Bloomberg/Nasdaq.
1. Goodman TSR does not assume reinvestment of distributions.
2 MSCI World REITs index returns measured in USD.

Goodman has demonstrated great resilience against a challenging backdrop. Our strong financial results and returns to Securityholders in FY21 reflect the global diversity of our businesses and our ability to support our customers and adapt to a rapidly changing external environment. Highlights include:

+ Statutory profit of $2.3 billion for Goodman and $6.7 billion across the combined Group and Partnerships
+ Operating profit of $1.2 billion (+15%) for Goodman
+ Goodman operating EPS growth of 14% materially exceeded initial guidance to the market of 9%
+ Significant growth in the end value of development work in progress up 63% during FY21 to $10.6 billion at 30 June 2021, positioning the business well into FY22 and making Goodman the largest listed specialist developer of logistics assets globally
+ Total assets under management increased 12% to $57.9 billion
+ Substantial revaluation growth of $5.8 billion across the Group and Partnerships.

Directors' report

Remuneration report – audited (continued)

FY21 results represented a competitive rate of growth in earnings whilst maintaining appropriate levels of risk relative to other large listed equity alternatives. The results delivered in the year also represented significant outperformance relative to operational targets and this translated into superior returns for Securityholders while positioning the business for future sustainable growth. Despite the market uncertainty, our measured approach over many years has allowed Goodman to retain, and also exceed, previous operating EPS guidance for FY21 and to position the business for a competitive rate of operating EPS growth for FY22.

We have continued to reflect the importance placed on achieving our sustainability and environmental objectives, incorporating key targets into the operations and long-term business strategies of the Group. These objectives are not only cultural, but our people will be measured on achievements against them over the long term.

Continued improvement and alignment of the LTIP

We believe that our fundamental principle of aligning all our people and Securityholders meaningfully through equity is unusual in the Australian market and has been a significant factor contributing to the resilience of our business. This should help deliver the Group's and Securityholders' desired outcomes despite the uncertain outlook for global markets.

Goodman's business has evolved significantly over the past 12 years since the introduction of the current LTIP. The Group's increased focus on urban infill markets has led to significantly longer development horizons and time frames for realisation of value through the regeneration and change of use of these assets. In the Board's view, the long-term nature of the structural trends impacting our sector and Goodman's approach to real estate investment in relation to this, necessitates refinements to the current LTIP. Consequently, the Board has made changes to the LTIP awards that will be made in FY22. For the Group CEO, executive KMP and senior executives this includes:

+ Extending the testing period to four years (from three years)
+ Significantly increasing the vesting period to ten years (from five years)
+ Increasing the difficulty of the testing and vesting thresholds for both operating EPS and relative TSR
+ Adding environmental and sustainability hurdles to the vesting conditions.

The Board believes increasing the testing period and significantly lengthening the vesting period for the key leadership group in the organisation, will further influence decision making to deliver operating results which are both superior and sustainable over the long term. It also provides sufficient time scale to implement our ESG initiatives and achieve our targets in a manner which creates even greater alignment with the outcomes for Securityholders.

The Board's belief in a pay for performance culture is reflected in the challenging hurdles set for FY22 remuneration awards, which if achieved at the top end of the range, should provide Securityholders with top decile performance and over 50% growth in operating profit over the four years. The Board is always mindful of the focus on overall remuneration levels and spends considerable time each year determining remuneration outcomes for the Group CEO and other Key Management Personnel. We recognise the range of expectations and have made decisions that we believe take into consideration the perspectives of all stakeholders.

We continue to engage in an open and meaningful dialogue with Securityholders and other stakeholders to enhance understanding of our policy and its contribution to Goodman's performance as well as giving us the opportunity to get an update on Securityholder perspectives and local and global market practices. We look forward to receiving your views and support at our 2021 Annual General Meeting.

Yours sincerely,

Stephen Johns
Chairman

Phillip Pryke
Chairman, Remuneration Committee

1. REMUNERATION GOVERNANCE

1.1 The role of the Board and Remuneration Committee

The Board considers remuneration with a minimum five year view. It takes into consideration the impact that decisions made over the last three to five years have had on current performance and how it expects the business to perform over the next five years and beyond. It is not solely an exercise in reviewing a single year.

The Board believes the success of Goodman is primarily due to its people and their ability to execute a global strategy that requires agility, strong collaboration and an inclusive culture, all of which are key elements supported by the LTIP.

The Board:

+ Encourages management to take a long-term strategic rather than opportunistic approach to property investment
+ Integrates the operational, financial, environmental, and human strategy to create long-term sustainable returns
+ Focuses on the consistency of cash generation, through the Group's operating profit, as the most tangible means of measuring long-term value creation for Securityholders.

When determining the remuneration levels and outcomes for FY21, the Remuneration Committee has considered the specifics of individual performance, in the context of the ongoing challenges of the COVID-19 environment and collectively in the context of the Group's continued strong performance. Given the nature of the Group's global operations, the Remuneration Committee has paid particular attention to the global marketplace and the competitors in our sector.

Refinements to the LTIP this year aim to reinforce Goodman's long-term decision making in line with the evolution of the business and operational strategy, aligning this with outcomes for Securityholders as well as providing competitive remuneration to attract and retain high quality people.

1.2 Key Activities of the Remuneration Committee for FY21

The Remuneration and Nomination Committee was reconstituted as the Remuneration Committee on 18 February 2021 and a separate Nomination Committee was established. The establishment of a separate Nomination Committee is in line with the ASX Corporate Governance Council's Principles and Recommendations and provides a separate focus on the Board composition and skills, succession planning for Directors and senior executives (refer to Goodman's Corporate Governance statement for further information).

Members of the Remuneration Committee for FY21 were:

Member	Role
Phillip Pryke	Independent Director and Chairman of the Remuneration Committee
Stephen Johns	Independent Director and Chairman of Goodman Group (appointed 19 November 2020)
Rebecca McGrath	Independent Director
Penny Winn	Independent Director
Ian Ferrier	Former Independent Director and Chairman of Goodman Group (retired 19 November 2020)

The Remuneration Committee has continued to make significant enhancements to the structure of remuneration. The Committee has:

+ Enhanced the LTI awards through the introduction of a ten year plan for the Group CEO, executive KMP and other senior executives (as detailed in Section 3). This plan, which will apply for the intended grant of performance rights to be made in September 2021 in respect of FY21 performance, will extend the testing period to four years and the vesting period to ten years, thereby increasing the period of alignment between executive remuneration and Securityholder returns, will include more challenging hurdles and incorporate additional environmental and sustainability targets to the testing conditions for all other eligible employees
+ Agreed with the Group CEO (as in prior years) that he would not participate in the STI award and all his performance-based remuneration in relation to his FY21 performance will be in the form of LTI
+ Added a requirement for executive KMP to hold securities in the Group, to a minimum value of 100% of fixed remuneration (requirement to be met by 1 October 2021).

Changes are also proposed to Non-Executive Director fees to bring them in line with market levels and to the Non-Executive Director annual fee cap, to facilitate the increased fees, manage Board succession and overlaps, and accommodate the potential appointment of additional Directors.

Directors' report

Remuneration report – audited (continued)

1.3 Key Management Personnel (KMP)

Member	Role	Tenure at Goodman
Executive KMP		
Gregory Goodman	Group Chief Executive Officer	26 years
Danny Peeters	Executive Director Corporate	15 years 1 month
Anthony Rozic	Deputy CEO and CEO North America	17 years 1 month
Nick Vrondas	Group Chief Financial Officer	15 years 2 months
Nick Kurtis	Group Head of Equity	21 years 8 months
Michael O'Sullivan	Group Chief Risk Officer	19 years 10 months
Non-Executive KMP		**Tenure on Goodman Board**
Stephen Johns	Chairman and Non-Executive Director	4 years 6 months
Chris Green	Non-Executive Director	2 years 2 months
Mark Johnson	Non-Executive Director	1 year 1 month
Phillip Pryke	Non-Executive Director	10 years 9 months
Rebecca McGrath	Non-Executive Director	9 years 3 months
Penny Winn	Non-Executive Director	3 years 5 months
David Collins	GLHK Non-Executive Director	3 years 5 months

2. REMUNERATION STRATEGY

Goodman is a globally diversified real estate fund manager, the largest developer of industrial and logistics buildings in the world and one of the largest listed industrial property managers. The Group's people are largely based outside Australia, and Goodman's remuneration structure reflects the requirements of the highly competitive labour markets we are competing in globally, not just in Australia, and the objective of aligning multiple regional businesses and operational segments with Group strategy and performance outcomes. A significant proportion of the value of the Group, reflected in the $27 billion premium between Goodman's security price of $21.17 and Goodman's net tangible assets per security of $6.68, is attributable to the value created across the global platform. Given the active nature of the Group's operations, the Board believes that this is almost entirely due to Goodman's people, the decisions they make and their ability to execute that has positioned the Group to grow cash flow from operations sustainably.

The retention of talent is therefore critical for the long-term success of the Group and is increasingly challenging as opportunistic competitors seek to recruit Goodman's high-performing teams in each of Goodman's markets. The Group's remuneration policy is crucial to its ability to have the appropriate human resources to deliver on the strategy, create the right culture and drive performance for the benefit of all stakeholders.

Goodman's remuneration structure, in particular the focus on equity-based reward, has been a key component of the success of Goodman as an international organisation. The Board believes aligning all people at Goodman with Securityholders through the Group's remuneration policy has added significant value to the Group. It has been a fundamental differentiator in generating and rewarding long-term performance and retaining quality people in a highly competitive global environment. It is particularly important considering the challenges COVID-19 has created, as it binds all employees together as owners of the business and is a powerful incentive and driver of operational resilience.

2.1 Key remuneration principles

Refining remuneration in line with Group strategy, structural changes and our ESG aspirations

Given the cyclical nature of real estate, incentive structures within real estate businesses are highly outcome driven (particularly by private equity real estate managers where most institutional assets reside). Goodman's capital and resource allocations shift over time, requiring rewards to be measured over longer periods. The Group's remuneration framework is therefore focused on influencing long-term decision making and collaboration across business units and international operations to derive sustainable outcomes.

There are several key principles of remuneration at Goodman:

+ Focus on LTI as the predominant source of pay for performance across the Group. All employees are eligible to receive LTI grants as a material component of remuneration and are tested using challenging hurdles without encouraging inappropriate risk (see section 3.8.6), enhancing alignment of rewards across the Group with Securityholders
+ Aligning the deliverable outcomes of all employees globally, with Goodman's aspirations of long-term cash flow growth, resilience, and sustainability. This is practically achieved through the focus on operating profit (which is closely aligned with cash profits) as the primary testing measure for LTI awards (see section 3.8.5)
+ Collaboration to achieve Group-wide targets across regions and business units
+ A culture of ownership, inclusion and alignment, where all Goodman's people experience investment returns aligned with Securityholders.

Goodman's business has evolved significantly over the past 12 years since the introduction of the LTIP. The Group's increased focus on urban infill markets has led to significantly longer development horizons, realisation of urban regeneration and change of use of existing assets. In summary:

+ Site acquisition and value add to existing stabilised sites, typically require five to ten year (and sometimes longer) time frames to achieve highest and best use and urban regeneration outcomes
+ Goodman's approach to development considers the lifecycle of the asset even for new developments which allow further intensification or change of use at a later time. This sometimes comes at the expense of short-term performance; however, this approach is consistent with the Group's strategic objectives and provides future value realisation potential, over significant time periods
+ Increased focus on ESG and integration of these aspirations into the Group's operational activities similarly requires significant time periods (often beyond five years) for implementation. Goodman's approach to community, environmental sustainability and wellbeing are all long-term aspirations aligned with the financial sustainability objectives.

In the Board's view, the long-term nature of the structural trends impacting our sector and Goodman's approach to real estate investment in relation to this, necessitates refinements to the LTIP for future awards.

Consequently, the Board has made changes to the LTI awards that will be made in FY22. For the Group CEO, executive KMP and senior executives this includes:

+ Extending the testing period to four years (from three years)
+ Significantly increasing the vesting period to ten years (from five years)
+ Increasing the difficulty of the testing and vesting thresholds for both operating EPS and Relative TSR
+ Adding environmental and sustainability hurdles to the vesting conditions.

The Board believes increasing the LTIP testing period and the significant lengthening of the vesting period for the senior executives in the organisation, will further influence decision making and more closely align with the time periods required to deliver superior operational results on a sustainable basis. It also provides sufficient time scale to implement key ESG initiatives and achieve the Group's targets, particularly in relation to environmental and sustainability objectives, in a manner that creates alignment with the outcomes for Securityholders.

The existing LTIP is already inclusive across the organisation and spans over five years. It will remain in place for all eligible employees who do not participate in the new ten year plan and will be enhanced to include hurdles aligned with the ten year plan.

Directors' report

Remuneration report – audited (continued)

2.2 Objectives and remuneration strategy

	Attract	Reward	Long-term alignment of our people and Securityholders
	Remuneration structure	**Performance conditions**	**Alignment with strategy and long-term performance**
	Fixed remuneration Low fixed costs, with the focus on "at risk" equity	Scope and complexity of the role, individual absolute and relative comparison in the relevant market and comparator group.	Real estate investment management and development are cyclical, so fixed employee costs are kept low. Most KMP fixed remuneration has not grown in several years.
At-risk remuneration	STI remuneration is an at-risk award for outperformance over the past 12 months. However the Group CEO forgoes STI in favour of LTI. Similarly, other executive KMP only received between 0% to 22% of total remuneration in STI.	Assessment includes four key components: + Meeting Goodman behavioural expectations per the Code of Conduct + Achieving operating EPS target + Individual financial and operational assessment + Assessment against environmental and sustainability objectives.	STI is an at-risk component, rewarding financial and non-financial performance against objectives of the individual and the Group. Awards have varied from 0% to 100% of the maximum over time and have declined over the past five years to 66% in FY21, in favour of LTI. Base salaries for the executive KMP roles are set low versus peers and this is carried through in lower STI outcomes for relevant KMP. The performance of individuals is assessed through a performance appraisal process based on contribution to strategic, financial, operational and ESG objectives, while also reflecting behavioural expectations. Financial performance is the primary measure in determining the maximum level of STI for the individual; however, this can be penalised if behavioural standards or ESG targets are not met or breached (up to 100% of STI for certain measures). These factors together encourage not only the operating EPS targets being met but also that the method in which they are met matches appropriate risk and governance settings. This structure is simple and transparent and aligns management with the operating EPS growth and ESG expectations of Securityholders.
	LTI at-risk remuneration rewards long-term sustained performance. New awards will be granted in FY22 in relation to FY21 performance achievements and assessment of potential future contributions. Ten year plan awards to Group CEO, executive KMP and senior executives tested over four years and vesting in equal tranches annually from the end of year four to the end of year ten Five year plan awards to remaining employees tested over three years and vesting in equal tranches annually from the end of year 3 to the end of year 5.	Operating EPS hurdle range (75%) reflecting underlying cash flow from operations Relative TSR against the S&P/ASX 100 (25%) – this aligns with a significant portion of investors' benchmarks relevant to their holdings and provides closest alignment with their performance Environmental and sustainability targets (set by the Board) over the LTIP testing period with penalty to vesting outcomes of up to 20% of rights satisfying the operating EPS hurdle for material underperformance against targets.	The weighting to LTI is believed to be the most effective way of rewarding sustained performance and retaining talent whilst maintaining alignment with Securityholders' interests. Hurdles are set to be competitive and challenging without encouraging inordinate risk (see sections 3.8.5 and 3.8.6) relative to external and internal reference points. The relative TSR and operating EPS hurdles interact as TSR impacts the value of all performance rights. Given the significant skew in remuneration to performance rights, the impact of the TSR hurdle is greater than its 25% weighting in that TSR provides an effective check against increasing risk or unsustainable practices within the Group. The price to earnings multiple attributable to securities will reflect the risk in achieving operating EPS targets, which impacts the likelihood of vesting and the ultimate value upon vesting. The total number of performance rights outstanding under the LTIP equates to 3.7% of the Group's issued securities. The maximum number of performance rights under the LTIP is limited to 5% of the Group's issued securities. Encourages a collaborative approach and broader distribution of remuneration across the entire workforce when the Group is performing.

2.3 Remuneration mix and alignment across the Group

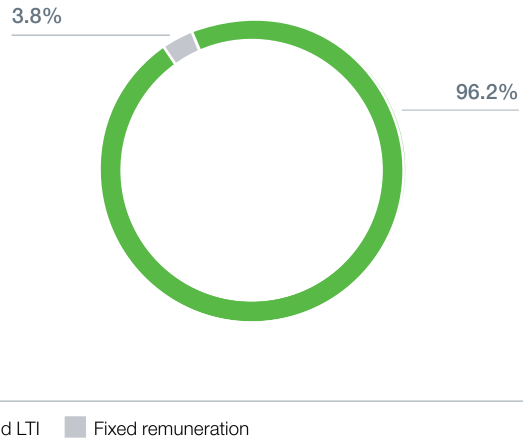
The Board believes that the alignment between pay and long-term performance is evidenced by the significant proportion of the total remuneration that is at risk for the Group CEO, the other executive KMP and the whole organisation. In respect of the Group CEO, all of his 'at risk' remuneration is in the form of LTI.

This point is demonstrated in the charts below that consider the vested remuneration received during FY21. Vested remuneration represents the value that is received during the year. It includes fixed base pay, STI and the value of performance rights that vested during the year (from prior grants) using the closing Goodman security price on the day of vesting.

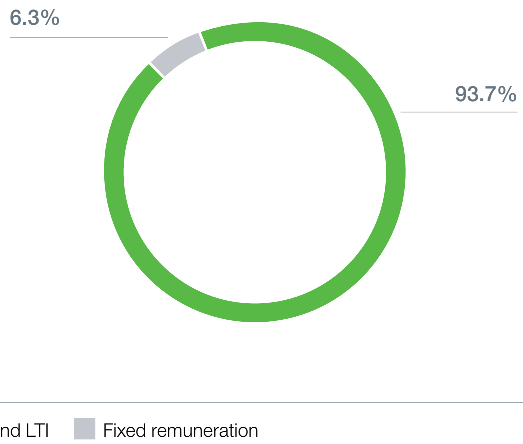
The 'at risk' remuneration (FY21 STI and LTI performance rights that vested on 1 September 2020) forms a significant proportion of total vested remuneration for all employees, but especially for the Group CEO and the other executive KMP. The Board believes that this demonstrates the alignment of the remuneration outcomes for the Group CEO with the outcomes for Securityholders, who have experienced very strong performance in recent years. Had the Securityholder returns been lower, the level of 'at risk' remuneration would have been lower and fixed remuneration would have made up a greater proportion of the total vested remuneration in FY21 for all employees, but especially for the Group CEO and the other executive KMP.

FY21 vested remuneration outcome

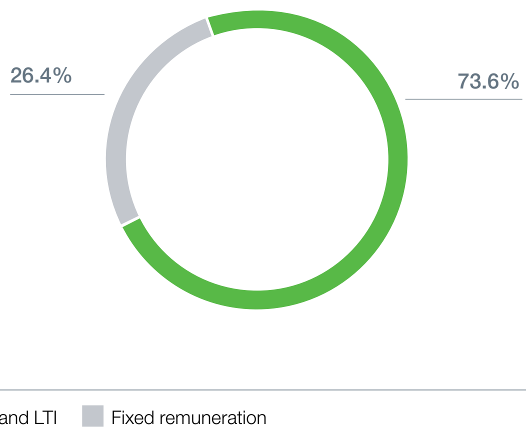
Group CEO FY21 remuneration



Executive KMP (excluding Group CEO) FY21 remuneration



All employees (excluding executive KMP) FY21 remuneration



Directors’ report

Remuneration report – audited (continued)

3. EXECUTIVE REMUNERATION FRAMEWORK

3.1 Remuneration components for executive KMP – continued enhancements

LTI enhancements for the FY22 awards for Group CEO, executive KMP and other senior executives

	Five year plan (current)	Change	Ten year plan (FY22 onwards)	Comment/rationale
Testing criteria	EPS 75%	No	EPS 75%	Consistent business strategy focused on long-term cash flow growth as value driver reflected through operating EPS growth
	TSR 25%	No	TSR 25%	TSR impacts the value of all performance rights, which is the primary form of remuneration. Therefore, the impact of the 25% weighting to TSR is understated in relation to the overall alignment with Securityholders
Testing period	Three years	Yes	Four years	Improves the existing system by: + Increasing the period of alignment with operational results + Places more of the employee’s remuneration at risk and for a longer period
Vesting period	Five years for full vesting – if hurdles are met then vesting occurs in equal tranches (33% per annum) at the end of each financial year from years three to year five	Yes	Ten years for full vesting – if hurdles are met then vesting occurs in equal tranches (14% per annum) at the end of each financial year from years four to year ten	Improves the existing plan by: + Significant extension of alignment through longer vesting period + Encourages long-term thinking and behaviour + Longer hold period allows additional time for clawback for fraud/malus

EPS performance testing	Five year plan (current)	Change	Ten year plan (FY22 onwards)	Comment/rationale
Threshold	6% compound annual growth rate (CAGR) in operating EPS	No	6% CAGR in operating EPS	25% of performance rights will satisfy the hurdle at the Threshold level and 100% will satisfy the hurdle at the Upper level, with a sliding scale of vesting for outcomes between this range. operating EPS hurdles are net of the dilution from vesting prior period tranches
Vesting at threshold	25%	No	25%	
Upper level	9% CAGR in operating EPS	Yes	10% CAGR in operating EPS	Increased Upper level required
Vesting at upper level	100%	No	100%	

TSR performance hurdle	Five year plan (current)	Change	Ten year plan (FY22 onwards)	Comment/rationale
Testing criteria	TSR against ASX 100	No	TSR against ASX 100	Peer group for relative TSR is to remain the S&P/ASX 100, which correlates with most investor benchmarks relevant to Securityholders
Testing thresholds	0% at 50th percentile 50% at 51st percentile Straight line vesting percentage to 75th percentile where 100% vests	Yes	0% at 50th percentile 25% at 51st percentile Straight line vesting percentage to 90th percentile where 100% vests	To increase the level of outperformance required to achieve vesting in line with significant Securityholder outperformance

Environmental and sustainability hurdles	Five year plan (current)	Change	Ten year Plan (FY22 onwards)	Comment/rationale
Environmental and sustainability performance	No formal targets	Yes	Targets set by the Board are tested annually and at the end of year four. Penalty applies to the number of performance rights that have satisfied the operating EPS hurdle with 20% maximum reduction in the event of material underperformance against targets	Given environmental and sustainability initiatives are integrated into the operations of the business, the penalty applies to the number of performance rights that have satisfied the operating EPS hurdle with 20% maximum reduction in the event of material underperformance against targets

The Board also notes that:

+ There are no changes to fixed remuneration levels for executive KMP in FY22
+ As in previous years the Group CEO will not participate in the STI award or any other form of variable cash remuneration (comparatively, the ASX 100 average fixed pay plus STI is approximately 50% of total remuneration)
+ 87% of the Group CEO's remuneration for his FY21 performance will be taken in the form of performance rights.

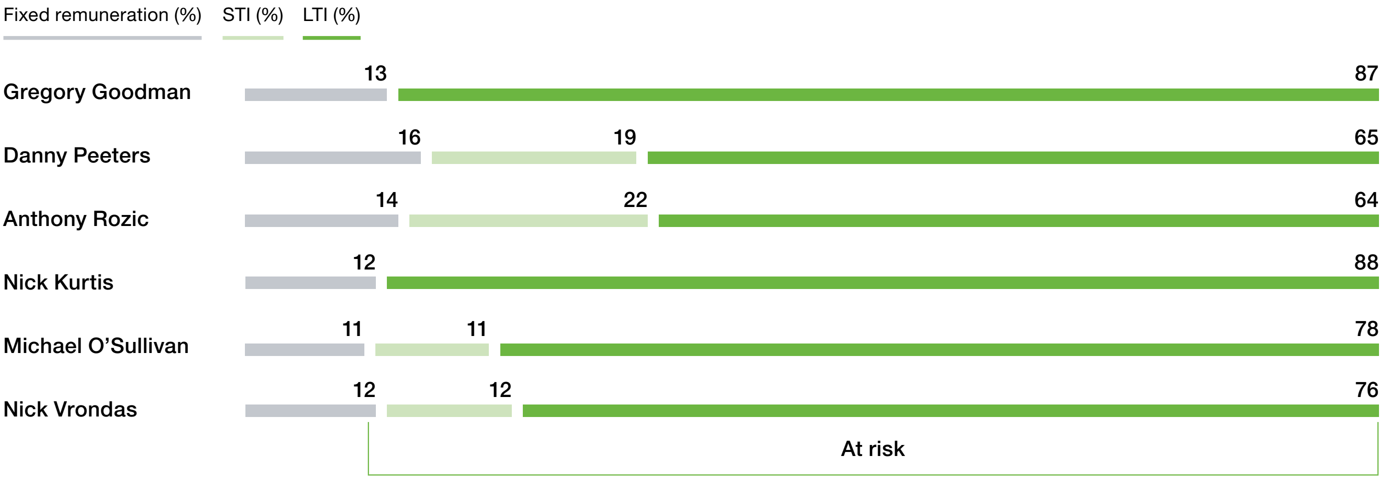
  Under the new ten year plan and with the above remuneration structure:
+ The Group CEO would not receive any performance-based reward in respect of his performance for FY21 if the Group does not meet its minimum performance hurdles under the LTIP over the next four years (measured at 30 June 2025)
+ The ultimate value of the award will be subject to Goodman's security price performance and will only be fully realised over the ten years to the 2032 financial year.

Directors' report

Remuneration report – audited (continued)

The chart below illustrates the components of KMP remuneration in relation to FY21 performance using:

+ Current fixed base pay
+ STI award (where applicable)
+ LTI award value using 100% of the intended grant to be made in September 2021 based on the economic value of the grants of $6.10 per right, as detailed in section 3.4.



Note: This analysis is different to both the statutory presentation of remuneration and the vested remuneration, which are referred to elsewhere in the remuneration report.

3.2 Setting awards for the Group Chief Executive Officer (CEO) and executive KMP

When assessing the Group CEO's and other executive KMP remuneration for FY21, the Board has given consideration to:

+ The structure of the awarded remuneration
+ Goodman's relative performance amongst global peers and operational targets for FY21
+ Goodman's consistent track record over the past ten years that has also positioned the business for the future
+ Global market conditions for human capital in the sector.

The Board is firstly focused on creating a remuneration structure that supports the Group's strategy and is aligned with outcomes for Securityholders and then on determining an appropriate quantum of remuneration under that structure.

On this basis, the Board has considered the outcomes for Securityholders, based on the testing criteria under the ten year plan and the 'pay for performance' alignment with all Goodman employees (all permanent employees, approximately 930 people, are eligible). As demonstrated below, before any performance awards are realised under the ten year plan, significant Securityholder value is required to be created (all other things equal, that equates to $12 billion in market capitalisation growth, consistent with >31% TSR over the period, based on the assumptions set out in the table below). If full vesting occurs, based on all other things remaining equal, $22 billion of Securityholder value will have been created and this would result in approximately 50% TSR (based on the assumptions below) and the employee's share of this would be approximately 3%. Returns are net to Securityholders as operating EPS calculations driving the growth in value account for the full dilution of the plan over the testing period.

Estimated Securityholder value over the four year testing period under the ten year plan

Plan	<5.99% CAGR over four years	6.0% CAGR over four years	10.0% (or greater) CAGR over four years
Economic outcomes			
Cumulative operating EPS growth	<26.2%	26.2%	46.4%
Percentage of performance rights vesting[1]	0.0%	25.0%	100.0%
Cumulative operating profit growth (including LTIP dilution)[2]	**<31.0%**	**31.1%**	**51.8%**
Year 4 operating profit to meet operating EPS hurdle	<$1.6bn	$1.6bn	$1.9bn
Market capitalisation (MCAP) at end of year 4[3]	<$51.7bn	$51.7bn	$60.0bn
Net value created for Securityholders (growth in MCAP)[3]	**<$12.3bn**	**$12.4bn**	**$20.5bn**
Assumed security price[3]	n/a	$26.73	$30.99
Employee share of Securityholder value created[4]	**0.0%**	**1.4%**	**3.4%**

Notes:
1. Assumes that the proportion of rights that vest under the operating EPS hurdle also applies to the rights that vest under the relative TSR hurdle.
2. Based on 30 June 2021 security price, assuming the market Price/Earnings (P/E) multiple applied to operating EPS remains unchanged over time and is inclusive of an allowance for increases in the securities on issue because of securities vesting under the LTIP. Excludes distributions and dividend payments that may be made during the period.
3. Assumes constant P/E multiple at the end of year 4 and the relevant CAGR in operating EPS growth.
4. Values the number of vested securities at the assumed security price which is calculated using the 30 June 2021 value and growing it at the same rate as the operating EPS growth.

The maximum employee share of the value created will occur if the awards fully vest through reaching the cumulative 10% CAGR in operating EPS after four years and the relative TSR performance is at the 90th percentile. This represents only 3.4% of the $20.6 billion value potentially created for Securityholders or the 46.4% potential security price growth (all other things being equal). If growth exceeds 10% per annum and the security price grows beyond the assumption above, the employees will receive greater rewards in absolute terms, but their share diminishes relative to Securityholders.

Based on the reduction in economic value (as detailed in section 4) of performance rights issued under the ten year plan, additional performance rights will be awarded to maintain the same economic value compared with what would otherwise have been awarded under the five year plan. However, under the proposed grants, the increase in units issued, if 100% vesting for both the relative TSR and operating EPS rights are achieved, would only result in approximately 0.2% additional operating EPS dilution to Securityholders, which is spread over a further five years. The Board believes that the benefits of alignment and securing senior executives over a significantly longer period of time, as a result of the ten year plan, outweighs this relatively small dilution to Securityholders which only occurs should the hurdles be met.

For these reasons, the Board has concluded that the structure of the Goodman LTIP is aligned with the business strategy and Securityholder returns.

Directors' report

Remuneration report – audited (continued)

3.3 Considerations for award quantum

Given the variability in the components of remuneration structures in the market, Goodman's comparator group analysis of value and quantum of awards must be considered in the context of the degree of risk associated with the structures and the vesting periods.

The Board has set the hurdles in respect of the intended LTI award for FY22 to achieve a significant degree of alignment with Securityholder outcomes and to provide substantial challenges (and risk of achievement) for the executive KMP. This is reflected in the ten year plan for the Group CEO, executive KMP and other senior executives (with four year testing and ten year vesting). The alignment and challenges are also reflected in the five year plan, which will be maintained for remaining employees (with three year testing and five year vesting). In comparison, ASX 300 listed companies' long-term incentives average approximately three years and generally are only for a few senior executives. In addition, performance rights awarded under the LTIP do not have any voting rights or rights to dividends until vested, even after passing testing hurdles.

While the face value (represented by the current security price multiplied by the number of performance rights granted) provides an indication of potential value of the grant at a point in time, it does not consider absolute or subjective criteria in achieving the awards nor the skew to remuneration that is at risk. The face value measure does not allow for direct comparison when assessing the different risk profiles associated with the vesting hurdles and substantially longer vesting periods. Having regard to these factors, the Board considers it both appropriate and necessary to consider the economic value of awards and consequently performance rights under both the five year and, even more importantly, to assessing the ten year plan.

The Board has determined its LTI awards for KMP on the basis that the hurdles, testing and vesting requirements under the ten year plan are significantly more onerous relative to the LTI awarded in the prior year under the five year plan. The awards under the ten year plan require higher returns over a longer period and include additional environmental and sustainability hurdles (see section 3.8.6 on proposed FY21 LTIP operating EPS grant targets).

The economic value of performance rights in particular, and remuneration structures in general, have taken into account:

+ The composition of remuneration, taking into consideration the proportion of cash versus conditional equity
+ An appropriate discount to allow for the lower probability of vesting given the increase to a four year testing period and the more challenging hurdles/thresholds set by the Board
+ A further discount for time value of money differential given the vesting of the rights occurs over ten years.

3.4 Valuation of performance rights (Economic Value)

Valuation methodology

The Board engaged an international accounting firm and two investment banks to assist it in the determination of the economic value of the performance rights. A Black Scholes approach was applied having regard, among other things, to:

+ The probability of achieving the TSR and EPS vesting criteria, and the associated impact that this has on the expected vesting outcome
+ Expectations with respect to the Group's security price (including growth and volatility) and distribution payments
+ The time value of money applied through a discount rate.

A number of different methods were considered to determine the appropriate discount rate. The Board resolved that a discount rate based on observable expected returns provided the best estimate for the cost of equity of the Group over a time period consistent with the LTIP. This can be calculated based on the current earnings of the Group and its expected growth rate over the foreseeable period. These factors can be reliably measured based on available market information and are most closely aligned with Securityholder return expectations over the relevant period.

As a result, the Board has adopted a 12.5% discount rate. Applying this discount rate and the other key inputs results in an assessed economic value per right of $6.10 for the ten year plan.

Note that this economic value assessment does not include any discount factor to take account of the additional environmental and sustainability objectives, which if not met, will reduce the amount of performance rights that vest.

Other relevant considerations

The Board and Remuneration Committee have considered the entire enterprise of the Group and its Partnerships globally, when assessing the executive's roles and remuneration awards.

In this context, Goodman:

+ Is an international real estate fund manager
+ Reported $2.3 billion statutory profit, and a combined statutory profit across the Group and Partnerships of $6.7 billion in FY21
+ Delivered $5.8 billion in valuation growth across the Group and Partnerships in FY21
+ Is the largest listed specialist developer of logistics real estate in the world, with $10.6 billion of work in progress
+ Manages and creates value across of $57.9 billion of assets globally
+ Manages capital allocation and funding across various activity types, which is sourced from multiple sophisticated markets and jurisdictions
+ Has grown to $39.1 billion market capitalisation at 30 June 2021 and is a member of the S&P/ASX 20 index

- Generates 68% of operating earnings from management and development activities which require more intensive day to day activity than a passive investment portfolio
- Provides its customers and partners with investment management, asset management, development, financial, transaction and capital management services in the listed and private equity capital markets globally
- Derives 71% of operating earnings from international markets with approximately 70% of employees situated offshore.

The Group has limited direct comparable market peers in Australia, having operating businesses in five continents and 14 countries, each with market driven remuneration outcomes. The Group has 941 employees at 30 June 2021, the majority of whom are offshore, and consequently Goodman competes for labour in an international market, which the Board considers when assessing the quantum of remuneration awards. In FY21, the Board has set this by reference to:

- A range of local and global comparators with operations of similar scale and complexity and certain companies in the ASX 20
- Private equity (PE) firms. Noting that PE firms are significant players in the logistics real estate sector with considerable new capital with a desire to assemble teams and invest in the sector. PE remuneration is particularly relevant because (1) the nature of pay for performance remuneration structures is highly equity based and outcome-driven similar to Goodman's remuneration structure and (2) the period of testing and realisation of remuneration is linked to investor outcomes over significant periods up to ten years, again similar to Goodman's remuneration structure. The majority of the Group's assets are within PE (unlisted) market entities, which in turn creates significant competition for high quality people.

In the Board's view, the competitive environment for logistics assets and consequently teams with skills to develop and manage the products and services over the long term, has intensified significantly over the past 18 months. Goodman is seen as a global leader in this space and the potential loss of key employees and regional teams poses significant commercial risk. The Board has assessed the FY21 awards in this context.

Under the Group CEO's proposed FY22 LTI award, the Board has again considered the range of outcomes that are possible and the Securityholder returns that accompany them.

On the basis of the estimated economic values of the total remuneration outlined (noting the proposed LTI awards with longer testing period, longer vesting period and significantly larger portion at risk) and considering the market capitalisation and performance differentials of the groups below, it is considered that an appropriate benchmark for the Group CEO's remuneration is around A$15 million. Despite this, the Board has agreed a value of A$10.9 million in respect of his performance in FY21.

Directors' report

Remuneration report – audited (continued)

Peer group comparator	Reason for comparison	Annual CEO remuneration[1] Range	Average/ Individual	Median	% LTI	LTI Term years	1 year TSR	3 years TSR	5 years TSR
Goodman	Goodman CEO	n/a	$10.9m	$10.9m	91%	10	44.3%	133%	236%
S&P/ASX 20	Goodman is number 14 in the S&P/ASX 20 index	$2m-$25m	$8m	$7m	47%	4	33%	42%	87%
Selected global comparators including ASX companies with global operations	71% of Goodman's earnings are outside Australia. The comparator group provides a reference to local companies with international operations and similar global companies	$7m-$42.5m	$22m	$20m	60%[2]	4	28%	67%	145%
Company A	Australia and North America, cyclical	n/a	$20m	n/a		3	68%	111%	144%
Company B	Global, complex, similar scale, no further LTI testing post grant	n/a	$25m	n/a		4, 7[3]	36%	42%	182%
Company C	Predominantly North America, global, Real estate, Grant tested	n/a	$42m	n/a		5	31%	97%	180%
Company D	International, Medical	n/a	$17m	n/a		4	0%	53%	171%
Company E	Global, Passive, Real Assets	n/a	$7m	n/a		3	3%	34%	47%

1. Reflects fixed base pay and the economic value of the intended award of performance rights.
2. Excluding one outlier LTI as a percentage of total remuneration would be 51%.
3. Company B's primary form of remuneration is in Profit Share which is not LTI but is deferred over 7 years.

In conjunction with the appropriate quantum, the Board views the alignment of outcomes for the Group CEO (and executive KMP) as a primary consideration in setting awards and ties to the thresholds and vesting conditions in order to create a system in which competitive returns accrue to Securityholders in order for performance based pay to be triggered.

The Group CEO's intended LTI grant for FY22 has been formulated based on:

+ The Board's assessment of appropriate quantum of award in respect of his FY21 performance
+ The FY22 LTIP structure (considering that the potential vesting of performance rights under the ten year plan does not occur fully until 1 September 2031)
+ The economic value assessment.

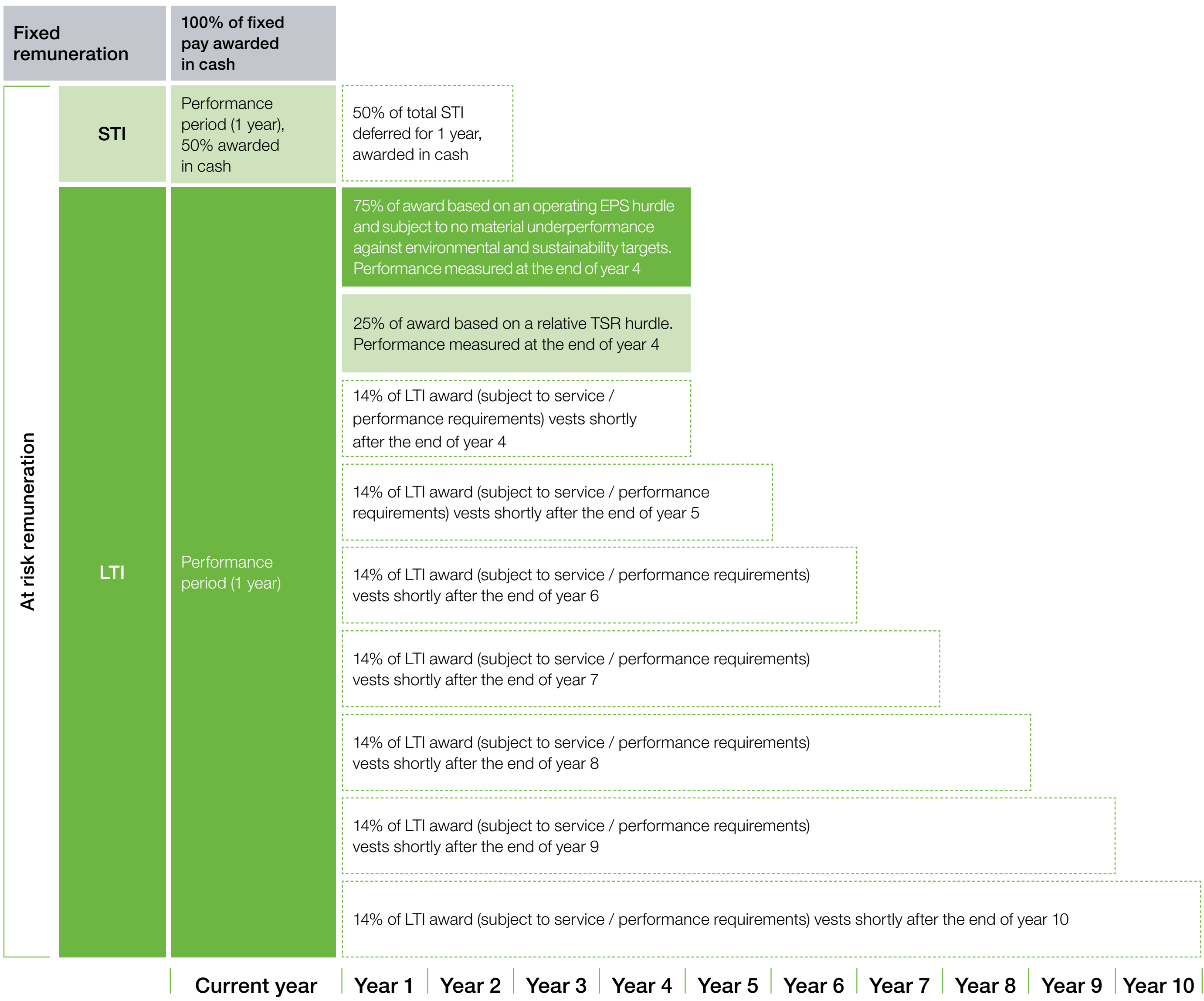
The below table illustrates the Group CEO's potential economic remuneration outcomes over the four year testing period that may result from the intended grant.

Economic outcomes	<6% CAGR in operating EPS	6% CAGR in operating EPS	10% CAGR in operating EPS
Cumulative operating EPS growth	<26.2%	26.2%	46.4%
Vesting %[1]	0.0%	25.0%	100.0%
Cumulative operating profit growth (including LTIP dilution)[2]	<31.0%	31.1%	51.8%
Net value created for Securityholders (growth in market capitalisation)[3]	**<$12.3bn**	**$12.4bn**	**$20.6bn**
Group CEO outcomes			
Base salary	$1.4m	$1.4m	$1.4m
Performance rights award receivable over FY26-FY32 at the assessed economic value[1]	$0	$2.4m	$9.5m
Total remuneration receivable in respect of FY21 performance	**$1.4m**	**$3.8m**	**$10.9m**
Annual vesting (using assessed economic value) FY26-FY32	$–	$0.3m	$1.4
Group CEO share of Securityholder value created[2,3]	0.0%	0.1%	0.2%

1. Assumes that the proportion of the operating EPS hurdle met also applies to the relative TSR hurdle.
2. Based on 30 June 2021 security price, assuming the market P/E multiple applied to operating EPS remains unchanged over time and is inclusive of an allowance for increases in the securities on issue as a result of stock vesting under the LTIP. Excludes distributions and dividend payments that may be made during the period.
3. Values the number of vested securities at the assumed security price which is calculated using the 30 June 2021 value and growing it by the same rate as the operating EPS growth.

3.5 When is remuneration earned and received?

The chart below illustrates the timing of receipt of the remuneration components for executive KMP. Performance goals under the ten year plan must be achieved over a period of four years to qualify for performance-based pay. Vesting then occurs in seven equal tranches from years four to ten. There is no certainty of vesting and the outcome is dependent on the movement in the security price over the next ten years.



Directors' report

Remuneration report – audited (continued)

3.6 Non-financial measures

3.6.1 Types of non-financial measures

Goodman continues to increase accountability and transparency across a range of non-financial measures which are important to the Group culture, its stakeholders and the world more broadly. These are integral components to the operations of the organisation, the health and wellbeing of the Group's people and the communities in which Goodman operates.

These values and aspirations encompass a wide range of areas including:

+ Environmental considerations for developments and building operations
+ Energy procurement including renewable targets
+ Group emissions and embodied emissions
+ Health and wellbeing of Goodman's people and communities
+ Good corporate and social governance including diversity and inclusion in the workforce
+ Behaviour in line with Goodman's Code of Conduct.

All of these aspirations are integrated into Goodman's culture and business operations and the Group's financial results are achieved while also implementing and performing to these standards.

The way employees conduct themselves is crucial to the success of the Group. Goodman has consistent and transparent practices in place for managing non-compliance with policies and the approach to risk guides the way all employees are expected to conduct themselves. Within the Code of Conduct, there is a set of eight guiding principles that encourage employees to uphold Goodman's reputation and behave appropriately in dealing with our customers and other team members. The guiding principles are:

+ Act in a professional manner
+ Work as a team and respect others
+ Treat stakeholders fairly
+ Value honesty and integrity
+ Follow the law and our policies
+ Respect confidentiality and do not misuse information
+ Manage conflicts of interest
+ Strive to be a great team member.

Individual's behaviour and adherence to the code of conduct, governance, implementation of diversity principles and social programs is assessed as a gate to STI and LTI awards. Breaches can also result in forfeiture of LTI or potentially more stern consequences depending on severity.

In respect of the FY21 STI awards and the intended LTI awards that will be made in September 2021 (in respect of FY21 performance), key environmental and sustainability targets will also be assessed based on the individual's areas of influence and contributions as part of overall assessment.

3.6.2 Integration of non-financial measures into STI

STI Process		
		Impact
1st Hurdle	Conduct, Governance, Social and Diversity	Gate
2nd Hurdle	Operating EPS	Gate
Financial, and operational assessments (including environmental objectives)	Individual assessment	0-100%

3.6.3 Integration of non-financial measures into LTI

The Board also believes that ownership through the LTIP embeds a culture of inclusion and sense of place in Goodman and that this has been strongly reflected in the Group's performance over many years and particularly through COVID-19. While behaviour and adherence to the Group's Code of Conduct has always been a prerequisite to entitlement to vested LTI, for future LTI awards, starting with the intended awards in September 2021, the Board will incorporate an additional hurdle for vesting, related to our environmental and sustainability targets.

+ The Board will set annual targets which form a subset of the Group's long-term and publicly available environmental and sustainability targets and measure performance against these each year
+ Environmental and sustainability objectives and their execution are integrated into the operations of the Group, particularly for development projects. For this reason, the additional penalty criteria will apply to the operating EPS tested performance rights. This aligns operational targets which are within the control of senior executives and employees at all levels and therefore have the most logical connection to operational performance
+ Targets set by Board will be tested annually and at the end of year four
+ The penalty applies to the number of performance rights that have satisfied the operating EPS hurdle with 20% maximum reduction in the event of material underperformance against targets
+ Targets will be reported each year in the remuneration report.

LTI Process – three and four year testing period		
		Impact
1st Hurdle	Conduct and behaviour	Gate: 0 – 100%
2nd Hurdle	Operating EPS and relative TSR	0 – 100%
Group assessment	Environmental and sustainability	The penalty applies to the number of performance rights that have satisfied the operating EPS hurdle with 20% maximum reduction in the event of material underperformance against targets

3.7 Short-term incentive

STI is a component of remuneration that is at risk. It is specific to achievement of financial and non-financial objectives. This structure is very transparent and aligns management with the operating EPS growth expectations of Securityholders.

Questions	
Who is eligible to participate in the STI?	All full-time and part-time permanent employees. The Group CEO agreed with the Board not to participate in the STI awards, to emphasise reward for long-term decision making across the organisation. Nick Kurtis (Group Head of Equities), Michael O'Sullivan (Group Chief Risk Officer) and Nick Vrondas (Group Chief Financial Officer) have agreed with the Board to forgo varying portions of their STI awards in line with FY20 in exchange for LTI, to emphasise reward for long-term decision making across the organisation.
What is the form of the STI award?	Cash. For executive KMP, 50% of the STI award is paid on finalisation of Goodman's full year result. 50% of the STI award is deferred and paid in cash after a period of 12 months and the deferred STI amount is subject to forfeiture under malus provisions (see below).
What is the maximum award participants may earn?	STI awards are capped at 150% of fixed remuneration for executive KMP. Target STI for individuals is also compared to market based remuneration data and their manager's own assessment of what an appropriate level of incentive compensation may be relative to the long-term value that person brings to the Group.
How is the STI earned?	The Board sets budget targets for the business annually. These targets are set relative to the market conditions, earnings visibility, financial structure and strategy and are believed to be challenging and appropriate. STI for all staff is subject to: (1) meeting behavioural expectations under the Group Code of Conduct; and (2) achieving operating EPS (based on the annual forecast for the relevant year) (3) financial and operational assessment (4) assessment against environmental and sustainability targets.
How is the individual STI award determined?	STI rewards annual performance against objectives of the individual and the Group. The Group objectives include multiple factors as set from time to time, dependent on the market and strategy of the Group. Overall Group financial performance relative to targets is the primary assessment, overlaid with required achievement against environmental and sustainability objectives and adherence to the Group's core values. The Remuneration Committee looks at conduct and specific judgements are made in relation to this. The performance of individuals is assessed through a detailed and formal performance appraisal process based on contribution to defined objectives, behavioural expectations, annual contribution to results as well as strategic and other contributions where these results or benefits may be reflected in future years.
Is there malus/clawback?	The executive KMP STI awards are subject to 50% deferral for 12 months from the date of publication of Goodman's financial statements. This deferral period provides protection from malus. The Board has discretion to forfeit deferred amounts for material misstatement, fraud or adverse changes that would have affected the award where there is executive responsibility.
Is STI deferred into equity?	No. A much greater portion of remuneration for executive KMP is in the form of LTI (equity) than arguably any other S&P/ASX 100 entity and hence they are already significantly more aligned with Securityholders' outcomes than executives at other listed entities. As a result, in the Board's view, there is little further benefit in deferring STI into equity.
What happens to STI upon termination?	For all executive KMP, the deferred portion of STI award is subject to immediate forfeiture in circumstances where employees are dismissed for cause without notice (e.g. fraud or serious misconduct) or resign from the organisation. The Board has discretion to pay deferred STI in exceptional circumstances, where employees leave the Group, with good leaver status, due to certain personal circumstances or due to permanent disablement or death.

3.8 Long-term incentive

The LTIP is an equity plan where rewards are at risk of performance and time. It is open to all permanent employees to create alignment with the interests of Securityholders over the long term.

+ No value is derived from LTI unless minimum performance hurdles of operating EPS and relative TSR are met or exceeded, and performance rights have no entitlement to income or assets until they vest.
+ If performance achieves or exceeds long-term targets and performance rights vest, LTI represents the majority of remuneration for executive KMP and becomes a material component of remuneration for all participating employees.
+ In FY22 a ten year plan will be introduced for the Group CEO, executive KMP and other senior executives. Key differences to the previous five year plan are explained in section 3.1 and the key terms of both plans are set out below.

Directors' report

Remuneration report – audited (continued)

3.8.1 FY22 LTI awards (five and ten year plans)

Questions in relation to grants to be made in FY22		
Who is eligible to participate?	All full-time and part-time permanent employees are eligible to participate in either the five year or the ten year plans. Executive KMP and senior executives participate in the ten year plan.	
What is the form of the award?	The LTIP awards performance rights linked to the underlying ASX listed securities. The performance rights do not receive distributions or have any right to income net assets or voting until vesting.	
What is the maximum LTI participants may earn?	When considering the overall size of LTI awards, the Board also considers the number of securities that could vest and the associated impact on the operating EPS growth. The total five year and ten year performance rights outstanding under the LTIP are capped at 5% of issued capital with vesting of approximately 1% per annum, assuming all hurdles are met and all employees remain employed. The Board considers the performance of the Group in comparison with the comparator group, the amount of overall operating profit, the competitive nature of the global labour markets where Goodman operates and the value of the team in the local and global marketplace, as appropriate.	
How is the number of rights determined?	The Board sets quantum based on a number of factors described in section 3. The number of rights is then determined by dividing the LTI award amount by the economic value per right, as determined by the Board.	
What are the performance measures?	Behaviour in accordance with Goodman's core values is an absolute requirement for the granting of performance rights and a minimum hurdle for LTI awards to vest as continued employment is a pre-condition. The Board believes that the commercial decisions Goodman makes in fulfilment of its overall financial objectives are best reflected in two key indicators: operating EPS and TSR (relative to the S&P/ASX 100). Operating EPS is a critical measure of long-term global performance of the operations (see section 3.8.5). The hurdles are set to be competitive and challenging relative to external and internal historical and prospective reference points (see section 3.8.6). TSR provides an effective check against increasing risk practices within the Group i.e. the security price to earnings multiple will reflect the perceived risk in the Group in achieving operating EPS targets. Focus on LTI is an efficient way of rewarding sustained performance and retaining talent. FY22 LTI awards, will incorporate environmental and sustainability targets, in addition to the operating EPS and relative TSR hurdles. Targets set by the Board will be tested annually and at the end of the LTIP testing period. A penalty applies to the number of performance rights that have satisfied the operating EPS hurdle, with 20% maximum reduction if material underperformance against the environmental and sustainability targets occur.	
What is the weighting?	75% operating EPS hurdle	25% relative TSR hurdle
What is the performance period?	Ten year plan: both operating EPS and relative TSR performance are tested over four financial years starting from 1 July in the year the grant was made. Operating EPS growth is assessed in the fourth year relative to the year preceding the year of the grant. Environmental and sustainability targets are tested annually and at the end of year four. Five year plan: both operating EPS and relative TSR performance are tested over three financial years starting from 1 July in the year the grant was made. Operating EPS growth is assessed in the third year relative to the year preceding the year of the grant. Environmental and sustainability targets are tested annually and at the end of year three.	
How do the LTIP awards vest?	Ten year plan: Subject to meeting performance hurdles, vesting occurs in equal tranches shortly after the end of years 4-10, provided participants remain employed by the Group. Five year plan: Subject to meeting performance hurdles, vesting occurs in equal tranches shortly after the end of years 3-5, provided participants remain employed by the Group.	
Is there malus/clawback?	Subject to immediate forfeiture in circumstances where employees are dismissed for cause without notice (e.g. fraud or serious misconduct). LTI will also be forfeited where employees cease to be employed, unless in Special Circumstances.	
What happens to LTIP awards upon termination?	Performance rights lapse upon the employee leaving Goodman unless in Special Circumstances (primarily Death, TPD, Redundancy and Retirement (at retirement age) in which case they are not subject to the employment requirement and vest subject to performance hurdles being met and the usual timetable. The Board may determine acceleration in exceptional circumstances if considered appropriate.	
What rights are attached to the performance rights?	Performance rights have no Securityholder rights prior to vesting (e.g. distributions, voting, rights issue participation).	
Executive KMP equity holding	Executive KMP are required to hold 100% of the value of their fixed remuneration in Goodman securities, determined at time of purchase. The requirement will apply from 1 October 2021. In addition, Goodman's remuneration structure includes significant emphasis on performance-based remuneration in equity and the overall exposure of KMP to Goodman securities extends significantly beyond this requirement principally through participation in the LTIP.	

What are the vesting conditions for FY22 ten year plan grants?	**Operating EPS tested (75% of grant)** The Board has set an operating EPS performance hurdle of growing operating EPS from the FY21 result of 65.6 cents to between 82.8 cents (Threshold level) and 96.0 cents (Upper level) in FY25. Vesting of 25% of the operating EPS portion occurs upon satisfying testing conditions at the Threshold level with a sliding scale up to 100% at the Upper level. The range is equivalent to between 6% and 10% CAGR in operating EPS or approximately 26% to 46% cumulatively over the four year testing period. In addition, a penalty may apply to the number of performance rights that have satisfied the operating EPS hurdle if environmental and sustainability targets are not met. These are set by the Board annually with 20% maximum reduction in the number of rights vesting under the operating EPS tranches in the event of material underperformance against targets.	**Relative TSR tested (25% of grant)** TSR awards are subject to achievement of cumulative. TSR relative to the S&P/ASX 100 over a four year period: – 25% of awards vest for performance at the 51st percentile. – Awards vest on a sliding scale between 25% and 100% for performance between the 51st and the 90th percentile. – 100% of awards vest for performance at the 90th percentile or above.
What are the vesting conditions for FY22 five year plan grants?	**Operating EPS tested (75% of grant)** The Board has set an operating EPS performance hurdle of growing operating EPS from the FY21 result of 65.6 cents to between 78.1 cents (Threshold level) and 87.3 cents (Upper level) in FY24. Vesting of 25% of the operating EPS portion occurs upon satisfying testing conditions at the Threshold level with a sliding scale up to 100% at the Upper level. The range is equivalent to between 6% and 10% CAGR in operating EPS or approximately 19% to 33% cumulatively over the three year testing period. In addition, a penalty may apply to the number of performance rights that have satisfied the operating EPS hurdle if Environmental and Sustainability targets are not met. These are set by the Board annually with 20% maximum reduction in the number of rights vesting under the operating EPS tranches in the event of material underperformance against targets.	**Relative TSR tested (25% of grant)** TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period: – 25% of awards vest for performance at the 51st percentile. – Awards vest on a sliding scale between 25% and 100% for performance between the 51st and the 90th percentile. – 100% of awards vest for performance at the 90th percentile or above.
Can the hurdles be adjusted?	No (subject to Listing Rule adjustments).	No.

3.8.2 FY21 LTI awards

Questions specific to the grants made in FY21		
What are the vesting conditions for FY21 grants?	**Operating EPS tested (75% of grant)** The Board has set an operating EPS performance hurdle of growing operating EPS from the FY20 result of 57.5 cents to between 68.5 cents (Threshold level) and 74.5 cents (Upper level) in FY23. Vesting of 25% of the operating EPS portion occurs upon satisfying testing conditions at the Threshold level with a sliding scale up to 100% at the Upper level. The range is equivalent to between 6% and 9% CAGR in operating EPS or approximately 19% to 30% cumulatively over the three year testing period.	**Relative TSR tested (25% of grant)** TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period: – 50% of awards vest for performance at the 51st percentile. – Awards vest on a sliding scale between 50% and 100% for performance between the 51st and the 76th percentile. – 100% of awards vest for performance at the 76th percentile or above.

Directors' report

Remuneration report – audited (continued)

3.8.3 FY20 LTI awards

Questions specific to the grants made in FY20		
What are the vesting conditions for FY20 grants?	**Operating EPS tested (75% of grant)** The Board set an operating EPS performance hurdle of growing operating EPS from the FY19 result of 51.6 cents to between 61.4 cents (Threshold level) and 66.8 cents (Upper level) in FY22. Vesting of 25% of the operating EPS portion occurs upon satisfying testing conditions at the Threshold level with a sliding scale up to 100% at the Upper level. The range is equivalent to between 6% and 9% CAGR in operating EPS or approximately 19% to 30% cumulatively over the three year testing period.	**Relative TSR tested (25% of grant)** TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period: – 50% of awards vest for performance at the 51st percentile. – Awards vest on a sliding scale between 50% and 100% for performance between the 51st and the 76th percentile. – 100% of awards vest for performance at the 76th percentile or above.

3.8.4 LTI awards prior to FY20

Questions specific to outstanding historic grants made between FY17 and FY19		
What are the vesting conditions for prior grants (FY17 to FY19) currently outstanding?	**Operating EPS tested (75% of grant)** Operating EPS awards are subject to achievement of a cumulative operating EPS hurdle, which is the combination of three years' individual operating EPS hurdles. This ensures that the appropriate balance between short and long-term challenges is incorporated. With the vast majority of remuneration through LTI, the focus remains on sustainable performance. Targets are disclosed to the market each year and are equal to the forecast operating EPS. For FY21, this is 62.7 cents as it relates to the FY19 award. Performance conditions for the FY17 and FY18 awards which have outstanding tranches, have already been tested. See section 4.4.3. for details of testing results for FY19 awards.	**Relative TSR tested (25% of grant)** TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period: – 50% of awards vest for performance at the 51st percentile. – Awards vest on a sliding scale between 50% and 100% for performance between the 51st and the 76th percentile. – 100% of awards vest for performance at the 76th percentile or above.

3.8.5 Operating EPS – long-term cash flow alignment with vesting outcomes

The Group presents statutory profit in accordance with Australian Accounting Standards, including all required disclosures. The Board believes that managing the business, on what is primarily a cash profit basis, is fundamental to long-term resilience and is the strongest determinant of value creation for Securityholders over time. That is the intent of the Group's operating profit definition and it is one of the key measures used to drive the business strategy that is communicated to Goodman's employees to execute. This is also why the Board has used operating EPS as one of the principal targets in its awards of both STI and LTI.

Calculation of operating EPS

Operating EPS has been calculated and applied consistently since being adopted in 2005.

+ Operating profit intentionally excludes non-cash measures. Previously, the Group has excluded significant realised gains (such as the urban renewal realisation gains) where these were believed to be cyclical in nature and not reflective of underlying long-term earnings.
+ As required under the accounting standards, the share-based payments (SBP) expense in the Group's statutory income statement reflects the amortisation of the aggregated fair value applicable to the outstanding performance rights. Given the volatility inherent in the accounting valuation of the performance rights, the SBP expense is excluded from operating profit, like other non-cash items (such as revaluations). Instead, the Board believes the cost of the plan, which arises from the future dilution through the issuance of securities under the LTIP, is most appropriately reflected by including all vested and tested performance rights in the denominator used for determining operating EPS.
+ The operating EPS at each reporting date is calculated using the weighted average number of securities, which includes:
  - all securities that have already vested
  - rights that have been tested and assessed as having met the hurdles but have not yet vested.

The inclusion of these unvested performance rights in the operating EPS calculation is a conservative treatment as:

+ The financial impact of the performance rights occurs only when securities are issued through the dilution to net assets at the time of issuance and the dilution to future operating EPS
+ Not all performance rights necessarily vest. This can only occur if testing criteria are met and by extension, the Group's performance has achieved or exceeded performance criteria, which doesn't necessarily align with SBP expense
+ Following successful testing at years three or four, performance rights still have no entitlement to income (distributions) or net assets nor do they have any of the other usual Securityholder rights until they vest, which may be up to six years later (under the ten year plan).

Therefore, in the Board's view realised cash profit as represented by diluted operating EPS is the most reliable measure of value creation for Securityholders and continues to be an appropriate means by which to assess employee performance. It is also consistent with the predominant method of valuation of Goodman by the market.

Notwithstanding this, the Board notes that using the Group's statutory profit instead of operating profit as the basis for the earnings hurdle under the LTIP would have had no impact on the future vesting of those performance rights that were tested at June 2021. It would, however, have materially increased the volatility of the Group's earnings.

Use of Phantoms

In certain jurisdictions, it is impractical to issue performance rights which vest into Goodman securities. In these instances, 'Phantom' performance rights are issued, with the same economic outcome, but with the intent to be cash settled on vesting. From time to time, the Group may issue new securities into the market to fund the settlement of those rights. This results in the same outcome to Securityholders as if the Phantoms had been settled in Goodman securities because it results in the situation where the dilutionary impact to operating EPS is consistent with the equity settled performance rights. As in recent years, the Board's current intention is to issue securities to fund the cash requirements to settle the Phantoms. This results in the effective funding of the LTIP having no cash impact for the Group and as a consequence the share based payments expense remains effectively a non-cash item in the context of the definition of operating profit.

3.8.6 Operating EPS hurdles for proposed ten year plan awards to the Group CEO, executive KMP and other senior executives

The operating EPS target range under the ten year plan is for the purpose of remuneration only, specifically the testing criteria for vesting of performance rights. The range does not constitute earnings guidance for the Group.

The Board has set an operating EPS performance hurdle for FY22 of growing operating EPS from the FY21 result of 65.6 cents to between 82.8 cents (Threshold level) and 96.0 cents (Upper level) in FY25. At the Threshold level, 25% satisfy the hurdle with a sliding scale up to 100% satisfying the hurdle at the Upper level. This range is equivalent to between 6% and 10% CAGR in operating EPS or approximately 26% to 46% cumulative over the four year testing period. Notwithstanding Goodman achieved operating EPS growth in excess of 10% in FY20 and FY21 performance at the upper level is considered significantly challenging over four years and in the Board's view is likely to be achieved only after exceptional performance.

Directors' report

Remuneration report – audited (continued)

The range has been set with particular reference to:

+ A significant proportion of the Group's revenue over the next four years, particularly in regard to development activities, is at risk and uncontracted
+ The range of potential real estate opportunities for the Group globally, given the Group's risk parameters and concentrated locations
+ The long-run historical performance of the Group, noting that previous history is not a reflection of future earnings
+ The global economic environment, noting the uncertainty around ongoing impacts of COVID-19 on global economies, that the current rate of inflation in Australia and the major markets in which Goodman operates globally is around 0% to 1.5% per annum and the current ten year rate of interest on government securities in Australia and most major markets is <1.5% per annum.

The Board believes the higher FY22 hurdle is significantly more challenging given the current economic environment particularly given the extension of the testing period (and independently verified through the lower economic value of performance rights under the new plan). The hurdles are set for the entire period of the grant and hence performance must be achieved regardless of changes to business conditions globally. Management and other employees carry the risk associated with external factors negatively impacting operating earnings and in the Board's view this risk has increased given the ongoing and unknown impacts of COVID-19.

The hurdles are set with the desire to achieve a sustainable long-term growth rate that is competitive with the market on a risk adjusted basis, reflecting the low financial leverage of Goodman and other risk settings particularly given the continued impact of the current global pandemic and economic environment. In the Board's view, increasing hurdles to unsustainable levels would encourage riskier behaviour, inconsistent with an acceptable risk tolerance and framework and expectations of Securityholders. This could potentially lead to lower quality earnings and adversely affect the intent of the LTIP and ultimately Securityholder returns.

LTI hurdle period (estimated)	Ten year plan operating EPS (cents)	CAGR in operating EPS FY22 – FY25	Ten year plan Cumulative growth in operating EPS FY22 to FY25
S&P/ASX 100		5.4%	23.3%
Threshold level	82.8%	6%	26%
Upper level	96.0%	10%	46%

Sources: Nasdaq, FactSet.

Economic indicators	Australia (% per annum)	United States (% per annum)	Europe (% per annum)
Ten year bond rate	1.35	1.40	-0.29
Inflation rate	1.10	5.4	0.39

Source: Bloomberg

4. GROUP PERFORMANCE AND OUTCOMES

Despite the significant headwinds caused by the global pandemic, the Group has recorded another year of material outperformance, both relative to its external targets and its internal operational targets. Goodman's security price performance in FY21 continued to be significantly ahead of its peer groups, following ten years of outperformance.

The Group's remuneration strategy focused on long-term outcomes is the key driver of this sustained performance.

4.1 Group FY21 highlights

Financial

- Statutory profit of $2,311.9 million for Goodman and $6,722.6 million for the combined Group and Partnerships
- Operating profit of $1,219.4 million (up 15.0% on FY20)
- Operating EPS of 65.6 cents (up 14.1% on FY20)
- Maintained distribution of 30.0 cents per security
- Net tangible assets (NTA) per security increased 14.4% to $6.68 per security

Operational property investment, management and development

- High occupancy maintained at 98% and like for like net property income growth of 3.2%
- Total AUM of $57.9 billion (up 12.0% on FY20)
- Significant outperformance by the 16 Partnerships achieving average returns of 17.7%
- Development WIP (end value) increased to $10.6 billion and with 96% commitment levels on completions and 13 year weighted average lease terms

People and culture

- Social investment of approximately $6 million by the Goodman Foundation and through efforts of employees worldwide
- Female senior roles up from 23% in FY20 to 30% in FY21. Goodman continues to work towards 40% females in senior roles by 2030 and 50/50 representation overall by 2030
- Expansion of Goodman's supply chain ethics towards a global supplier code of conduct increasing the focus on human rights and potential modern slavery
- Strong focus to employees on reinforcing behaviours that are consistent with the Group's values
- Feedback from employees via surveys undertaken in FY21 indicates strong communication and employee engagement

Environmental

- Goodman's global operations achieved carbon neutrality and certified as a Carbon Neutral Organisation
- Transitioned to 100% certified GreenPower secured for Goodman's Australian operations from 1 July 2021, increasing Goodman's global renewable energy usage to over 60%
- Approximately 125MW of solar PV now installed or committed across the global portfolio, an increase of 70MW in FY21
- Commenced calculating the embodied emissions of all of Goodman's logistics developments globally and established a framework for integration into approval processes as we transition to carbon neutral developments

Capital management

- Maintained significant available liquidity at $1.9 billion, including $0.9 billion in cash
- Significant business growth while maintaining low gearing at 6.8%
- Group and Partnerships completed debt refinancing transactions totalling $5.4 billion

Directors' report

Remuneration report – audited (continued)

Over the past decade, the Group has established teams with significant specialist expertise, financial resources, and a strategic real estate portfolio. It has deliberately positioned its business to maximise cash flow resilience in varying market cycles, primarily through:

+ Concentration of the portfolio on logistics real estate in urban infill markets, where supply is limited, and demand is driven by consumers
+ Deleveraging the Group's balance sheet and retaining significant liquidity
+ Partnering with long-term capital to share risk and return over a significant globally diversified platform.

This has included specific actions over successive years, including:

+ Significant reduction in financial leverage (gearing) over the last twelve years from 47.9% to 6.8% and maintained low leverage in the past few years
+ Increased quality of the property portfolio through over $27 billion of asset sales since 2013 concentrating the portfolio in predominantly urban infill markets and providing funding for the development of new buildings
+ Established an international platform with significant depth of experience required to generate excess returns in competitive high barrier to entry markets
+ Diversification of the Group's sources of debt and tenor
+ Reduced operational risk through undertaking more development activity in Partnerships, which has reduced volatility of earnings while increasing return on assets for the Group. The impact of increased development within the Partnerships has increased their returns and the prospects for Goodman to earn performance fees in the medium to longer term
+ Significant sales of assets that were reconfigured for higher and better residential use. For these transactions, the substantial profit was not included in operating profit despite being cash realised gains as they were believed to be over and above the usual course of business
+ Maintained a conservative distribution pay-out ratio to retain funding for growing development activity.

Many of these strategic initiatives rely on foregoing some short-term returns to secure potentially larger long-term sustainable returns.

The resilience of the Group through this period is largely due to strategic long-term thinking, a highly talented team with specialist skills, and incentivising those employees through equity, linked to sustained operational performance over a long period.

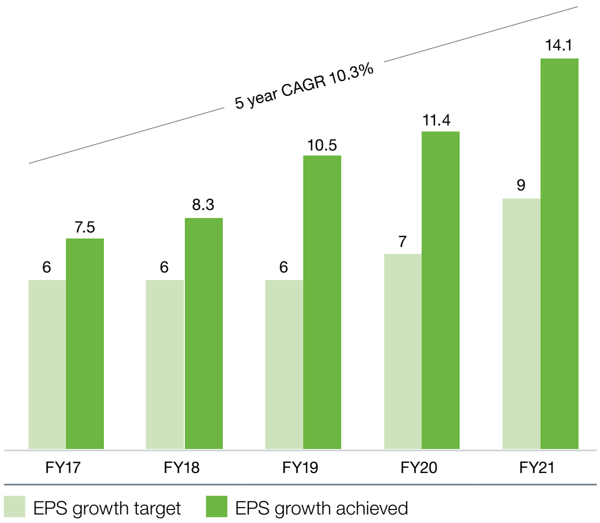
4.2 Financial measures

Performance measures	FY16	FY17	FY18	FY19	FY20	FY21
Operating profit ($M)	714.5	776.0	845.9	942.3	1,060.2	**1,219.4**
Operating EPS (cents)	40.1	43.1	46.7	51.6	57.5	**65.6**
Operating EPS growth (%)	7.8	7.5	8.3	10.5	11.4	**14.1**
Security price as at 30 June ($)	7.11	7.87	9.62	15.03	14.85	**21.17**
Distributions per security (cents)	24.0	25.9	28.0	30.0	30.0	**30.0**
TSR (%)	17.0	14.2	26.0	59.4	-0.4	**43.3**
3 year TSR growth ($B)[1]	5.1	4.4	6.1	14.6	13.5	**23.4**
NTA per security ($)	4.10	4.21	4.64	5.34	5.84	**6.68**
Growth in NTA ($B)	1.2	0.2	0.9	1.3	1.0	**1.7**
Gearing (%)	11.8	5.9	5.1	9.7	7.5	**6.8**
AUM ($B)	34.1	34.6	38.3	46.2	51.6	**57.9**
Market capitalisation premium to NTA ($B)	5.4	6.6	9.0	17.6	16.5	**26.8**

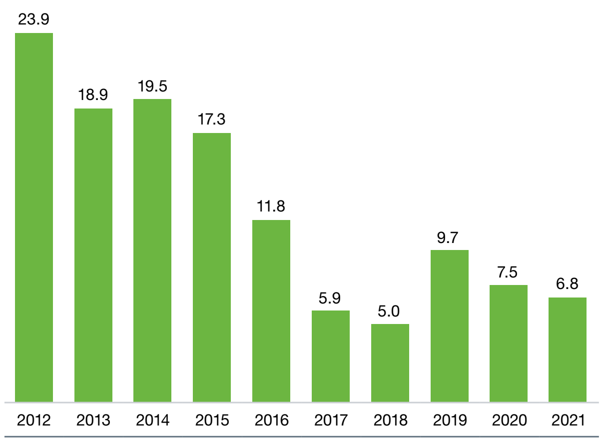
1. TSR is the increase in market capitalisation plus dividend and distribution, attributable to the respective financial year.

The key financial metrics which are aligned with the Group's strategy, long-term performance and STI and LTI programs for all employees are operating EPS and relative TSR. CAGR in operating EPS over the past five years has been exceptional at 10.3%, which has exceeded the forecasts and therefore the hurdles. This has been achieved while at the same time reducing gearing, and not utilising the short-term benefits of low interest rates to financially engineer performance.

Operating EPS growth and targets
%



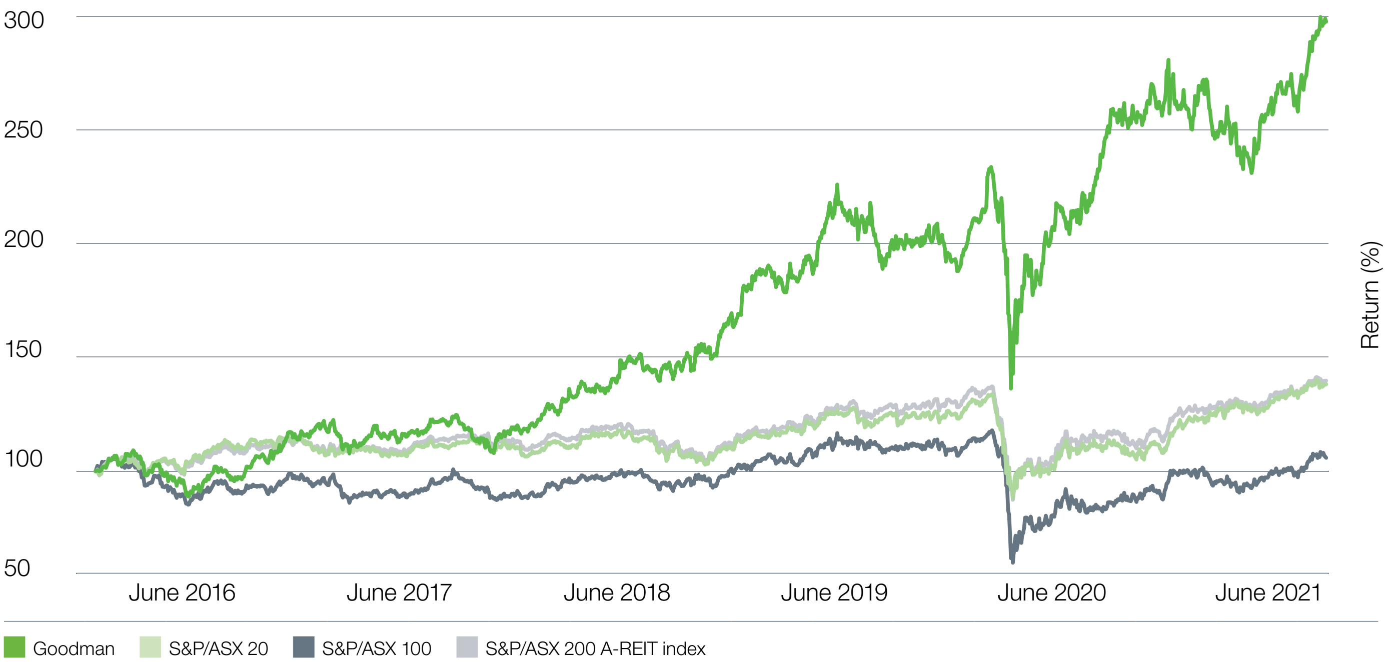
Gearing
%



4.3 Total returns comparison

Goodman is the only real estate group in the ASX 20 and the 14th largest ASX listed entity at 30 June 2021 with a market capitalisation of over $39 billion. The chart below shows the Group has significantly outperformed the S&P/ASX 20, S&P/ASX 100 and S&P/ASX 200 AREIT indices over the past one, three and five years.

Securityholder return relative performance



Directors' report

Remuneration report – audited (continued)

4.4 Remuneration outcomes for FY21

4.4.1 STI outcomes

The Board has again agreed with the Group CEO that he will not participate in the STI award. In line with continued focus on sustained long-term performance, all performance based remuneration relating to the Group CEO's FY21 performance will be awarded in the form of performance rights.

Given the global nature of the Group's operations the recommendations for each executive KMP are based on the Remuneration Committee's review of several sources of market information relating to the individual's role, region and global comparisons and specific incentive schemes that apply in competitor organisations.

Executive KMP STI outcomes (excluding the Group CEO), on average, are consistent with FY20 and down 27% over the past two years, (averaging 66% of the maximum potential versus 64% in FY20). This reflects the Board's decision to focus reward in the form of LTI, particularly for the KMP whose roles have greater focus on overall Group strategy. The table below indicates the maximum possible STI and the actual STI awarded for FY21.

It should be noted that based on the Group and individual performances in FY21, KMP were eligible for the maximum STI.

Test	Metrics	Result
Gate 1: Behaviour	Code of Conduct: Pass/Fail	Pass
Gate 2: Operating EPS – FY21 operating EPS versus target	Operating EPS growth: Target 9% (62.7 cents per security)	14.1% operating EPS growth (65.6 cents per security)
Financial and operational assessments (including environmental objectives)	Individual assessment	Various (0-100%)

Executive	Year	STI maximum	Actual STI awarded	Cash component	Deferred component	Actual STI % of maximum
		$M	$M	$M	$M	
Gregory Goodman	**FY21**	**2.10**	**–**	**–**	**–**	**–**
	FY20	2.10	–	–	–	–
Nick Kurtis	**FY21**	**1.05**	**–**	**–**	**–**	**–**
	FY20	1.05	–	–	–	–
Michael O'Sullivan	**FY21**	**0.75**	**0.50**	**0.25**	**0.25**	**67**
	FY20	0.75	0.40	0.20	0.20	53
Nick Vrondas	**FY21**	**1.05**	**0.70**	**0.35**	**0.35**	**67**
	FY20	1.05	0.60	0.30	0.30	57
		€M	€M	€M	€M	
Danny Peeters	**FY21**	**0.85**	**0.70**	**0.35**	**0.35**	**82**
	FY20	0.85	0.70	0.35	0.35	82
		US$M	US$M	US$M	US$M	
Anthony Rozic	**FY21**	**1.05**	**1.05**	**0.525**	**0.525**	**100**
	FY20	1.05	1.05	0.525	0.525	100

4.4.2 ESG assessment

STI (and LTI) award grant assessments are undertaken with reflection on behaviour, governance, social, environmental and sustainability goals and targets. The Group has made significant contributions and efforts in a wide range of areas, with key highlights including:

+ Goodman's global operations achieved carbon neutrality and certified as a Carbon Neutral Organisation by Climate Active
+ Approximately 125MW of solar PV installed and committed on Goodman's rooftops globally, including an additional 70MW in FY21
+ Transition to 100% certified GreenPower secured for Goodman's Australian operations from 1 July 2021, increasing Goodman's global renewable energy usage to over 60%
+ Commenced calculating the embodied emissions of all of Goodman's logistics developments globally and established a framework for integration into approval processes as the Group transitions to carbon neutral developments
+ Biodiversity initiatives underway including the establishment of urban forests across Goodman's European operations
+ Achieved Sector Leader in the 2020 Global Real Estate Sustainability Benchmark (GRESB) for the Goodman Japan Partnership in the East Asia Distribution Warehouse peer group
+ Smart irrigation technology in approximately 43% of the portfolio saving approximately 53% in water used on irrigation, or equivalent to 30 Olympic swimming pools
+ Expansion of Goodman's supply chain ethics towards a global supplier code of conduct increasing the focus on human rights and potential modern slavery
+ Goodman Group's Task Force on Climate-related Financial Disclosures (TCFD) statement completed and available on the Goodman Group website
+ Cutting edge sustainability design initiatives in our global development specifications including solar PV, electric vehicle charging points, LED lighting and drought tolerant landscaping
+ $10 million EV incentive program launched to staff globally to assist in electric vehicle purchase over the next five years
+ Contributed $6.3 million to community and philanthropic causes including $0.4 million raised directly by staff
+ Results of the engagement surveys undertaken across various regions were pleasing with an average of approximately 85% positive responses. Key area to focus on is social interaction, given the dislocation of operations due to COVID-19.

Key areas of assessment for FY21 are detailed below. The form of disclosure below (subject to relevant evolution and changes over time as set by the Board) will be used as the basis for future assessment of environmental and sustainability measures which will be set and tested annually in conjunction with the assessment over the testing period for performance rights.

Assessment area Environment	Long-term target	Outcome	Pass/Fail
Renewable Energy	100% renewable energy use within Goodman's operations by 2025	Achieved 100% Renewable Energy use Australia in FY21, and increased to approximately 60% globally	
Solar PV Installation	400MW of solar PV installed or committed by 2025[1]	Solar PV increased to 125MW in FY21	
Carbon Neutral	Carbon neutral operations by 2025	Achieved Carbon Neutral operations during FY21, four years ahead of target	
TCFD	Achieve TCFD by FY22	Achieved FY21	
GRESB	>4 star	Achieved 4 star FY21	
Occupancy	>95%	98%	

1. Subject to Government regulation in each jurisdiction.

Directors' report

Remuneration report – audited (continued)

Code of conduct, behaviour, social and governance requirements

Assessment area			
Diversity	**Long-term target**	**Outcome**	**Pass/Fail**
Gender ratio in the workforce	50% Gender ratio in the workforce by 2030	Currently at 44% female workforce	
Women in senior roles	>40% in senior roles by 2030	Increase from 23% to 30% in FY21	
Governance			
Workplace safety	Safe working environment with demonstrable risk controls, contractor management and monitoring of key safety metrics	Unfortunately, four fatalities occurred on development projects under the control of principal contractors during FY21. While Goodman is not responsible for the day to day management of works on these projects, it is active in monitoring and working to introduce improved safety standards in all regions	
Significant reputational issues arising from illegal conduct	Zero	Zero	
Social			
Social/charitable donations	$50 million in social investment by Goodman Foundation by 2030	$6.3 million was contributed to community and philanthropic causes during FY21, taking our total to $20 million in the past two years	

4.4.3 LTI outcomes

Testing as at 30 June 2021 was completed for the grants of performance rights made to executive KMP in respect of executive KMP performance in FY18 (called FY19 awards). These performance rights were tested over three years and vest in three equal tranches shortly after the third, fourth and fifth anniversary of the grant. The FY19 awards had two hurdles: operating EPS and a relative TSR, both measured over the three years ended 30 June 2021.

The mechanics of the testing are detailed in section 3.8.

4.4.3.1 Operating EPS hurdle (75% weighting)

The operating EPS is calculated by dividing operating profit by the weighted average number of securities on issue adjusted to include all performance rights which have passed the testing criteria, even though they are not yet vested (issued) to account for potential EPS dilution. Operating EPS growth for the three year period to 30 June 2021 was 40.5%, compared to a cumulative target of 27.4%.

	Target	Actual	Outperformance	Outcome
FY19	50.0 cents	51.6 cents	1.6 cents	Pass
FY20	56.3 cents	57.5 cents	1.2 cents	Pass
FY21	62.7 cents	65.6 cents	2.9 cents	Pass
Cumulative			5.7 cents	100%

4.4.3.2 Relative TSR hurdle (25% weighting)

TSR provides an effective check against increasing risk practices within the Group, as the price to earnings multiple will reflect the perceived risk in the Group. Relative TSR is measured against the S&P/ASX 100 peer group. Vesting applies on a sliding scale:

+ 0% vests up to and including the 50th percentile
+ Vesting of 50% starts at the 51st percentile on a sliding scale with 100% vesting at the 75th percentile.

Goodman posted a three year TSR of 128.9% to 30 June 2021, under the LTIP TSR calculation methodology. This ranked Goodman in the 92nd percentile against the S&P/ASX 100 and consequently 100% of these performance rights vested.

	GMG TSR[1]	S&P/ASX 10 TSR[1]	Percentile	Outcome
FY18 LTIP grant – TSR hurdle[1]	128.9%	37.5%	92nd	100%

1 Testing period for grant: 1 July 2018 to 30 June 2021, in accordance with the LTIP the TSR is based on the 10 day VWAP at beginning and end of testing period and is therefore different from the three year TSR sourced from Bloomberg and presented elsewhere in this report.

As a result of satisfying 100% of the EPS hurdle and the relative TSR hurdle, a total of 16,012,338 equity settled performance rights will vest in September 2021, September 2022 and September 2023. In addition, 3,875,750 cash settled performance rights will also vest. The Group may elect to issue the equivalent number of new securities to satisfy those obligations in the future.

4.4.4 Group CEO achievements

In determining the Group CEO's remuneration, the Board acknowledged his strong leadership through the challenges of COVID-19. It has also considered the following contributing factors and highlights:

Greg Goodman	
Leadership	+ Developed and drove a consistent global business strategy across all markets to sustain the performance of the Group despite prolonged and significant challenges presented by COVID-19. The Group has adapted to these challenges and continues to outperform its own targets and the broader market performance, retaining employees and increasing community support and charitable programs. + He has positioned the busines as a leader in its field, managing, motivating and incentivising key personnel across the platform to perform in a highly competitive environment + Fostered a culture that focused on delivering quality across all aspects of the business: people, properties and service + Lead global internal programs to promote a strong culture of inclusion, collaboration and conduct across the organisation, underpinned by the long-held principles in the Group's Code of Conduct, treating all stakeholders with integrity, and accountability + Reinforced Goodman's purpose aimed at understanding the drivers of change and the needs of customers and all stakeholders to support their future success.
Financial and risk	+ He has fostered continuity of strategy over successive years leading to outperformance over benchmark indices and comparator companies in FY21, and delivered strong and sustained TSR of 133.4% over three years and 235.9% over five years + Delivered: – Revaluation growth across the Group and Partnership of $5.8 billion – Statutory profit of $2,311.9 million (up 54%), driven by growth in property values as a result of asset selection over the past few years and operational activities such as development – Operating profit of $1,219.4 million, up 15% on FY20 – Operating EPS of 65.6 cents, up 14% on FY20 – NTA increased 14% to $6.68 per security + Exceeded earnings guidance in FY21 after posting significant outperformance in FY20 through the COVID-19 period + Drove a clearly defined capital management strategy with financial leverage 6.8% and maintained a strong Group balance sheet with $1.9 billion of liquidity + Integrated strong risk management approaches globally.
Environment	+ Instrumental in significantly increasing the focus on ESG initiatives and programs throughout the Group and a culture which continually looks to improve Goodman's impact on the world. In particular: – Establishing a zero carbon emissions target for the Group by 2025 and achieving it in FY21 – Increasing the 2025 target for solar PV capacity installed on the rooftops of Goodman's global portfolios and installed almost 80MW in FY21 – Completing compliance with TCFD in FY21 + Established a framework for measuring and assessing embodied carbon to transition to carbon neutral developments + Implemented an EV incentive scheme for staff globally to encourage a shift towards lower emissions vehicles.
Social and culture	+ Led the shift for all employees to increase alignment with Securityholders through the LTIP as the preferred form of remuneration by taking 100% of performance based remuneration in performance rights and working with the Board to implement the new ten year plan. + Commenced new initiatives and Goodman Foundation commitments to enable it to meet its $50 million 2030 social impact target. The Group CEO led initiatives that: – Contributed $6.3 million to community and philanthropic causes including $400,000 raised directly by staff. Expansion of Goodman's supply chain ethics towards a global supplier Code of Conduct increasing the focus on human rights and potential modern slavery. – Enabled the Goodman team globally to contribute 5,360 hours to volunteering and community events through the year. The Goodman Foundation focuses on children and youth, community and its health, and food rescue and the environment – Through Goodman's funding, food rescue partners have provided more than 197 million meals globally and made significant commitment to domestic violence prevention.

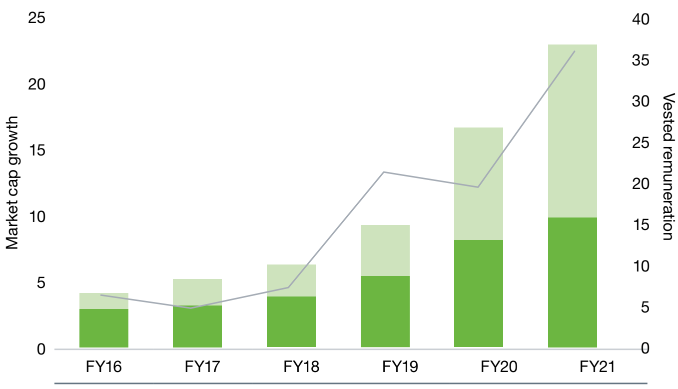
The charts below demonstrate the performance of the Group and various key metrics relative to the Group CEO's vested remuneration outcomes in FY21 and prior years. They illustrate that the significant operating profit growth, security price growth and consequently returns for Securityholders over the testing periods, correlate with increased Group CEO remuneration over time. Given the strong increase in the market price of securities between the time of the grant and the time of vesting, the Group CEO (and all recipients of the LTIP) has participated in the performance alongside Securityholders.

Directors' report

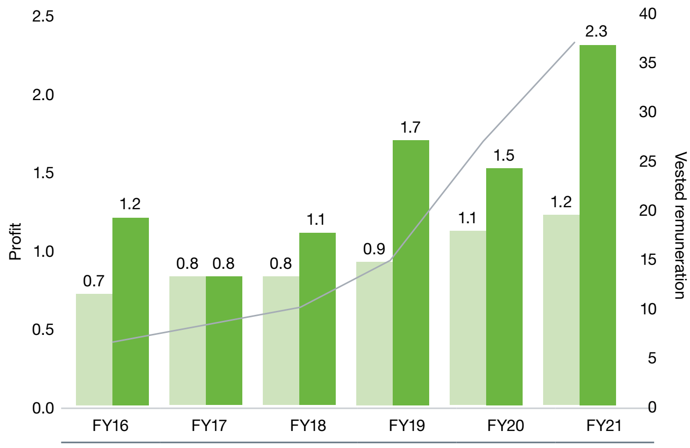
Remuneration report – audited (continued)

Importantly, the Group CEO's vested remuneration as a proportion of TSR (in $ billion) and statutory profit has trended lower over the past five years, indicating that the Securityholders have experienced a more than proportionate benefit from the Group's performance relative to the Group CEO.

CEO remuneration and growth in market cap 3 year rolling



Profit and vested remuneration



The table below includes awarded remuneration at grant date and the vested remuneration over the past five years for the Group CEO. The numbers in this table differ from the statutory disclosure in section 5 primarily due to the differences in the measurement and timing of recognition in respect of performance rights granted under the LTIP and not the final vesting outcome. The below figures show the base salary received by the Group CEO in the respective year plus the value of performance rights which vested during that year at the closing price on the day the performance rights vested.

The table highlights:

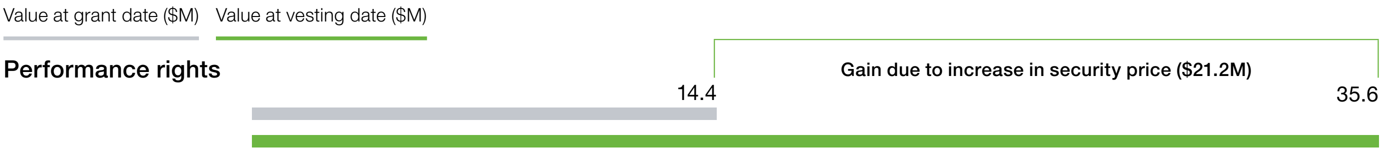
+ No change in fixed remuneration over the period
+ The proportion of remuneration from fixed (cash) salary has continued to decline
+ Significant growth in the value of LTI from grant date to the vesting date due to the increase in security price (on average an increase of 147% for grants vesting in FY21).

	FY16 $M	FY17 $M	FY18 $M	FY19 $M	FY20 $M	FY21 $M
Base salary	1.4	1.4	1.4	1.4	1.4	1.4
STI	–	–	–	–	–	–
Value of LTI on grant date[1]	3.1	3.8	4.7	7.3	11.6	14.4
Value of LTI on vesting date	5.2	7.0	8.8	13.5	25.4	35.6
Total remuneration based on LTI value at grant date[1]	4.5	5.2	6.1	8.7	13.0	15.8
Total vested remuneration based on LTI value at vesting date	6.6	8.4	10.2	14.9	26.8	37.0
Increase in LTI value due to security price performance of the Group	2.1	3.2	4.1	6.2	13.8	21.2
Percentage growth in value of LTI during vesting period	66%	84%	88%	86%	119%	147%

1. Value based on the security prices at the grant dates for the performance rights that vested in the financial year. This is so as to allow comparison of the security price outperformance over the period between grant and vesting dates.

The chart below illustrates the increase in the value of the Group CEO's vested LTI in FY21 from the date of the original awards in 2015, 2016 and 2017. These significant gains have arisen due to consistent earnings growth and security price outperformance of the Group.

Group CEO FY21 vested performance rights



4.4.5 Other executive KMP achievements

In FY21, the Board considered the following highlights when assessing other KMP

Danny Peeters	
Executive Director, Corporate	+ Successfully overseeing Brazil, playing a critical role in communicating and reinforcing the Group's strategy, both from a real estate and corporate perspective + Delivered strong outperformance against all key performance and financial parameters + Played a key role in overseeing a successful third year of the Brazil Investment Partnership with strong transactional and development activity resulting in a total return of more than 25% + Continued to secure significant infill land banks in core markets (potential gross lettable area (GLA) 270,000 sqm), positioning the Partnership in a strong position to capitalise on the growing e-commerce penetration + Construction starts on major development sites (GLA 247,000 sqm) after obtaining building permits. Successful progress of permit processes on sites acquired during the year which will allow start of construction in FY22 + All development projects on budget and schedule despite the challenging pandemic context in Brazil. + Provided guidance and team coaching in a complex acquisition and development environment effecting above-target performance + Embedded key controls and culture with the team working cohesively and capability increasing + Drove further integration of the Brazil operation into the global network + Provided advice and support to senior management in Continental Europe. Repositioning of the CE business was further refined (with the sale of the Central and Eastern European business). The platform delivered another year of very strong financial outperformance + Important direct link for the Board to the operations in Continental Europe and Brazil + Further embedded key controls and culture with the team working cohesively and increasing capability.

Anthony Rozic	
Chief Executive Officer, North America, and Deputy Group Chief Executive Officer	+ All financial measures have exceeded budget + Critical role in communicating and reinforcing the Group's strategy in the region + Managed a focused and motivated team with an emphasis on succession planning and strong leadership in embedding the Goodman values in the behaviour of the team and encouraging teamwork with respect + With the COVID-19 disruption and employees working remotely, a high level of productivity has been maintained with a focus on key operational priorities + Developed a high-quality portfolio and strongly differentiated brand position and building team capabilities and skill sets for complex acquisitions and developments ahead of future growth + Commenced five development projects with a value of $810 million + Continued to grow infill development pipeline of $2.8 billion in major US gateway cities providing strong positioning for future performance + Successfully oversaw strong growth in business operations in North America: – AUM grown to $4.8 billion – Stabilised occupancy of 100% – WALE of 7.9 years – Total available liquidity in the Partnership US$3.0 billion + Positioned the North American business over FY21 with a number of developments pre-leased and replenishing the land/value-add inventory. Emphasis on developing major infill sites and value-add development skillsets.

Directors' report

Remuneration report – audited (continued)

Nick Kurtis	
Group Head of Equities	+ Formulated and implemented the Partnerships' strategies to successfully deliver significant total returns. Partnership investment portfolio delivered: – Annualised average total return on net assets of 17.7% (based on the respective Partnership reporting periods) + Delivered strong performance metrics including: – Management earnings contribution of $459 million to the Group's operating earnings of $459 million – Performance fee revenue of $149 million – Growth in external AUM up 12% to $57.9 billion across 16 Partnerships in 14 countries + Strong asset selection focus resulting in superior property level returns + Fostered strong investor relationships and successful communication of Partnership strategies and alignment of interests with investors + Successfully executed continuation of several Partnerships through the course of FY21 + Established new Partnerships with investors + Provided strategic advice across a range of corporate and structural transactions in the business to position opportunities for future years.

Michael O'Sullivan	
Group Chief Risk Officer	+ Responsible for identifying, assessing and monitoring risks at Goodman Group and reporting to the Risk and Compliance Committee + Oversaw and aligned the Group Investment Committee (GIC) process with strategy execution to ensure final commercial outcomes remain consistent with Group strategy. A requested member of regional due diligence committee meetings relating to major acquisitions, disposals, and capital market transactions + Performs a critical role in commercial oversight and assessment of globally complex transactions of the Group to allow the required level of autonomy at a regional level within delegated authority limits + Maintained frameworks with improved outcomes across the Group and Managed Partnerships in FY21 adapting to the changing nature of our business including nature, scale and complexity of development projects globally + Responsible for co-ordination and reporting of Group Corporate Service functions, specifically as they relate to the identification and monitoring of non-financial risks with specific reference to internal audit, safety, sustainability, insurance and business continuity planning. Successfully transitioned the Knowledge Management function to Group IT while remaining a resource for the Group Chief Information Officer to call upon + FY21 saw continued Group activities, in relation to GIC process including: – Over 400 GIC submissions with 15% involving detailed involvement from the Group Risk function – Work in progress of $10.6 billion with an annual production rate of $6.6 billion – $4.2 billion of asset sales, including both the disposals of directly held developments and disposals to external parties globally – $6.4 billion of global acquisitions and development expenditure – 16 business plans and Partnership strategy proposals across $54.0 billion of external AUM, in which the Group's equity investment was $10.7 billion.

Nick Vrondas	
Group Chief Financial Officer	+ Successfully developed and played a key role in the execution of the business strategy including the management and allocation of capital that has delivered strong returns to investors over several years culminating in FY21 operating profit of over $1.2 billion + Full oversight of balance sheet and profit and loss outcomes for the Group and Partnerships across multiple jurisdictions in 14 countries. Effective statutory and management financial reporting giving clarity to support strong operational decision making + Built improvements and resilience into systems and controls framework. Strengthened monitoring, coordination and consolidation of financial performance and financial position of regional business units and divisions to exceed budget and financial plans + Effected strong capital management and compliance with Financial Risk Management policies of Group and Partnerships + Established and oversaw debt finance transactions in banking and debt capital markets of $5.4 billion for the Group and its Partnerships, adding term to maturity profile and diversity of funding sources + Effective hedging and financial risk management. Involved in and oversaw derivative and hedge transactions of over $5.6 billion for the Group and its Partnerships. Progressed framework for future risk mitigation measures and appropriate enhancements in line with changing nature of the business and industry + Led operational improvements in relation to business IT systems and processes, particularly considering the necessary changes that COVID-19 has given rise to + Updated and improved various operational policies to enhance compliance and reduce risk. Has demonstrated an ability to manage through variable market conditions. Maintains valuable relationships in the capital markets.

4.5 LTI grants to be made in September 2021 in relation to FY21 performance

The remuneration awards made by the Board in respect of the executive KMP performance in FY21 comprise fixed remuneration, STI and awards under the LTIP that will be made in September 2021.

The table below lists the maximum number of performance rights which could vest if the highest hurdles are met over the four years ending 30 June 2025. The minimum vesting percentage is 0% if hurdles are not met. The vesting of those performance rights that achieve the performance hurdles (if any) will occur in seven equal tranches in September each year, starting from September 2025 with the last tranche vesting ten years from initial grant in September 2031.

The value of the grants that the Board intends to make in September 2021, in respect of the executive KMP performance in FY21, have been determined using the economic value as detailed in section 3.4

Executive	Year of grant	Performance rights proposed	Economic value per performance right	Economic value of grant
Gregory Goodman	FY22	1,560,000	6.10	9.5
Danny Peeters	FY22	625,000	6.10	3.8
Anthony Rozic	FY22	690,000	6.10	4.2
Nick Kurtis	FY22	805,000	6.10	4.9
Michael O'Sullivan	FY22	560,000	6.10	3.4
Nick Vrondas	FY22	690,000	6.10	4.2

5. NON-EXECUTIVE DIRECTOR REMUNERATION

5.1 Key elements of the 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 Board membership and additional fees for membership of committees.

- The fees consider 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 $2.4 million (2020: $2.2 million).

- The increase in Non-Executive Director fees compared to the prior financial year was due to the change in composition of the Board and the establishment of a separate Nomination Committee. There were no changes to the Board and committee annual fees in respect of FY21.
- Non-Executive Directors are not entitled to participate in any STI or LTI schemes as they may be perceived to create a bias when overseeing executive decision making.

- To align the interests of the Board with Securityholders, the Board updated the Directors' Security Holding Policy in April 2021. The policy requires Non-Executive Directors to accumulate and hold Goodman securities with a value equivalent to their pre-tax annual base fee within three years of appointment, or in the case of the Chairman the pre-tax Chairman's fee within three years of appointment as Chairman (subject to a transitional year following adoption of the new policy). For the purpose of this policy, the value of each parcel acquired is the higher of the purchase price or market value at the end of the financial year.

Directors' report

Remuneration report – audited (continued)

5.2 Board and committee annual fees

The Board and committee fees that applied for FY21 are set out below.

	Board $	Audit Committee $	Risk and Compliance Committee $	Remuneration Committee $	Nomination Committee $
Chairman	625,000	50,000	40,000	40,000	n/a
Member	230,000	25,000	25,000	25,000	25,000

With effect from 1 July 2021, the Board has decided to increase the remuneration of Non-Executive Directors for the first time since June 2018. The new Board and Committee annual fees are set out below.

	Board $	Audit Committee $	Risk and Compliance Committee $	Remuneration Committee $	Nomination Committee $
Chairman	625,000	60,000	50,000	40,000	n/a
Member	240,000	30,000	30,000	30,000	30,000

The remuneration of the Non-Executive Director of GLHK will also increase to HK$680,000 (2021: HK$625,000).

6. STATUTORY DISCLOSURES

6.1 KMP remuneration (statutory analysis)

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

							Long-term		Share based payments		Performance related	
		Salary and fees[1]	Bonus (STI)[2]	Other[3,4]	Total	Super-annuation benefits	Bonus (STI)[2]	Other[3]	Performance rights (LTI)[5]	Total	STI and LTI as %	LTI as % of total
Executive KMP		**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Gregory Goodman	**FY21**	**1,447,398**	**–**	**11,201**	**1,458,599**	**21,694**	**–**	**44,203**	**11,854,105**	**13,378,601**	**88.6**	**88.6**
	FY20	1,396,329	–	17,169	1,413,498	21,003	–	24,841	10,534,692	11,994,033	87.8	87.8
Nick Kurtis	**FY21**	**707,113**	**–**	**12,468**	**719,581**	**21,694**	**–**	**17,509**	**4,742,939**	**5,501,723**	**86.2**	**86.2**
	FY20	687,653	–	18,010	705,663	21,003	–	12,414	3,740,638	4,479,717	83.5	83.5
Michael O'Sullivan	**FY21**	**474,143**	**–**	**11,423**	**485,556**	**21,694**	**500,000**	**13,242**	**3,336,045**	**4,356,547**	**88.1**	**76.6**
	FY20	487,275	–	16,500	503,775	21,003	400,000	(891)	2,493,876	3,417,763	84.7	73.0
Nick Vrondas	**FY21**	**679,746**	**–**	**11,423**	**691,169**	**21,694**	**700,000**	**18,073**	**4,598,229**	**6,029,165**	**87.9**	**76.3**
	FY20	635,820	–	16,500	652,320	21,003	600,000	12,421	3,783,979	5,069,723	86.5	74.6
		€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**		
Danny Peeters[6]	**FY21**	**593,400**	**–**	**–**	**593,400**	**–**	**700,000**	**–**	**2,656,555**	**3,949,955**	**85.0**	**67.3**
	FY20	593,400	–	–	593,400	–	700,000	–	2,070,939	3,364,339	82.4	61.6
		US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**		
Anthony Rozic[7]	**FY21**	**697,211**	**–**	**29,466**	**726,677**	**16,210**	**1,050,000**	**(1,715)**	**3,445,575**	**5,236,747**	**85.8**	**65.8**
	FY20	680,039	–	170,587	850,627	14,102	1,050,000	14,766	2,548,576	4,478,071	80.4	56.9

Executive KMP are engaged under written employment contracts until notice is given by either Goodman or the executive KMP. Notice periods are for six months except for Gregory Goodman and Danny Peeters for whom the period is 12 months. Danny Peeters provides his services through a management company, DPCON Bvba.

1. Salary and fees represent the amounts due under the terms of executives' service contracts and include movements in annual leave provisions.
2. Executives' bonus (STI) awards are paid in two instalments: 50% on finalisation of Goodman's financial statements and 50% 12 months later. Under Australian Accounting Standards, this means the entire bonus award is considered as a long-term benefit with regard to the disclosure of individual executive's remuneration. No bonuses were forfeited during the financial year.
3. Other includes reportable fringe benefits, car parking and changes in long service leave provisions.
4. In the prior year, the Board agreed certain tax equalisation arrangements with Anthony Rozic in connection with his employment arrangements in the United States and Australia to ensure that he was no better or worse off. As a result, in FY20 Goodman made additional tax related payments of US$150,005 in respect of the period prior to 1 January 2019. These amounts were on top of Anthony Rozic's Australian tax obligations for which he remained exclusively responsible. The Board also advanced under an interest free loan, double-tax amounts in respect of the period prior to 1 January 2019 for which Foreign Income Tax Offsets from the Australian Taxation Office will be used to repay the advances.
   At 1 July 2021 the advances made by Goodman amounted to US$503,729, and as there have been no further advances or repayments during the year ended 30 June 2021, the balance at 30 June 2021 is also US$503,729. The amount of interest that would have been payable if charged on an arm's-length basis during the year is $20,149 (2020: $8,490). The notional interest amount has been included in Anthony Rozic's statutory remuneration for FY21 (Other remuneration). In the prior year both the additional tax related amount and the notional interest amount were included in Anthony Rozic's statutory remuneration (Other remuneration).
   No other executive KMP received a loan from the Group during the current or prior financial years.
5. Performance rights are an LTI and in accordance with Australian Accounting Standards: the values of the awards are determined using option pricing models and amortised in the income statement over the vesting periods.
6. The remuneration of Danny Peeters is disclosed in Euros, the currency in which his base remuneration and STI are determined. The value attributed to his performance rights is translated from Australian dollars at the weighted average rate for the relevant financial year.
7. The remuneration of Anthony Rozic is disclosed in US dollars, the currency in which his base remuneration and STI are determined. The value attributed to his performance rights is translated from Australian dollars at the weighted average rate for the relevant financial year.

Directors' report

Remuneration report – audited (continued)

6.2 Movements in performance rights held by executive KMP

The movements in the number of performance rights during FY21 are summarised as follows:

Executive Directors	Year	Held at the start of the year	Granted as compensation	Vested	Forfeited	Held at the end of the year
Gregory Goodman	**FY21**	**6,350,000**	**950,000**	**(1,983,333)**	**–**	**5,316,667**
	FY20	7,231,827	900,000	(1,781,827)	–	6,350,000
Danny Peeters	**FY21**	**1,996,250**	**380,000**	**(529,583)**	**–**	**1,846,667**
	FY20	2,158,413	350,000	(512,163)	–	1,996,250
Anthony Rozic	**FY21**	**2,241,666**	**400,000**	**(628,333)**	**–**	**2,013,333**
	FY20	2,470,996	380,000	(609,330)	–	2,241,666
Other executive KMP						
Nick Kurtis	**FY21**	**2,290,416**	**490,000**	**(677,083)**	**–**	**2,103,333**
	FY20	2,568,495	380,000	(658,079)	–	2,290,416
Michael O'Sullivan	**FY21**	**1,503,750**	**340,000**	**(393,750)**	**–**	**1,450,000**
	FY20	1,607,018	300,000	(403,268)	–	1,503,750
Nick Vrondas	**FY21**	**2,323,750**	**420,000**	**(693,750)**	**–**	**2,050,000**
	FY20	2,603,412	380,000	(659,662)	–	2,323,750

6.3 Analysis of performance rights held by executive KMP

Details of the awards of performance rights under the LTIP granted by Goodman as compensation to the executive KMP are set out in the following tables:

Executive Directors	Number of performance rights granted	Date performance rights granted	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]
Gregory Goodman	950,000	19 Nov 2020	FY21	16.07	15,266,500	–	–	–	–	2024–2026	1 Sep 2025
	900,000	20 Nov 2019	FY20	11.48	10,332,000	–	–	–	–	2023–2025	2 Sep 2024
	1,600,000	15 Nov 2018	FY19	8.72	13,952,000	–	–	–	–	2022–2024	1 Sep 2023
	1,600,000	16 Nov 2017	FY18	6.70	10,720,000	–	33.3	–	9,567,994	2021–2023	1 Sep 2022
	2,400,000	30 Sep 2016	FY17	5.64	13,536,000	33.3	33.3	–	14,352,000	2020–2022	1 Sep 2021
	2,000,000	25 Nov 2015	FY16	4.44	8,880,000	65.0	32.5	2.5	11,661,000	2019–2021	1 Sep 2020
Danny Peeters	380,000	19 Nov 2020	FY21	16.07	6,106,600	–	–	–	–	2024–2026	1 Sep 2025
	350,000	20 Nov 2019	FY20	11.48	4,018,000	–	–	–	–	2023–2025	2 Sep 2024
	550,000	15 Nov 2018	FY19	8.72	4,796,000	–	–	–	–	2022–2024	1 Sep 2023
	550,000	16 Nov 2017	FY18	6.70	3,685,000	–	33.3	–	3,288,994	2021–2023	1 Sep 2022
	600,000	30 Sep 2016	FY17	5.64	3,384,000	33.3	33.3	–	3,588,000	2020–2022	1 Sep 2021
	450,000	25 Nov 2015	FY16	4.44	1,998,000	65.0	32.5	2.5	2,623,725	2019–2021	1 Sep 2020
Anthony Rozic	400,000	19 Nov 2020	FY21	16.07	6,428,000	–	–	–	–	2024–2026	1 Sep 2025
	380,000	20 Nov 2019	FY20	11.48	4,362,400	–	–	–	–	2023–2025	2 Sep 2024
	600,000	15 Nov 2018	FY19	8.72	5,232,000	–	–	–	–	2022–2024	1 Sep 2023
	600,000	16 Nov 2017	FY18	6.70	4,020,000	–	33.3	–	3,588,000	2021–2023	1 Sep 2022
	700,000	30 Sep 2016	FY17	5.64	3,948,000	33.3	33.3	–	4,185,994	2020–2022	1 Sep 2021
	600,000	25 Nov 2015	FY16	4.44	2,664,000	65.0	32.5	2.5	3,498,300	2019–2021	1 Sep 2020

Refer to page 63 for explanatory footnotes.

Other executive KMP	Number of performance rights granted	Date performance rights granted	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]
Nick Kurtis	490,000	30 Sep 2020	FY21	15.77	7,727,300	–	–	–	–	2024–2026	1 Sep 2025
	380,000	30 Sep 2019	FY20	11.26	4,278,800	–	–	–	–	2023–2025	2 Sep 2024
	600,000	28 Sep 2018	FY19	8.52	5,112,000	–	–	–	–	2022–2024	1 Sep 2023
	600,000	30 Sep 2017	FY18	6.41	3,846,000	–	33.3	–	3,588,000	2021–2023	1 Sep 2022
	700,000	30 Sep 2016	FY17	5.64	3,948,000	33.3	33.3	–	4,185,994	2020–2022	1 Sep 2021
	750,000	23 Sep 2015	FY16	4.06	3,045,000	65.0	32.5	2.5	4,372,875	2019–2021	1 Sep 2020
Michael O'Sullivan	340,000	30 Sep 2020	FY21	15.77	5,361,800	–	–	–	–	2024–2026	1 Sep 2025
	300,000	30 Sep 2019	FY20	11.26	3,378,000	–	–	–	–	2023–2025	2 Sep 2024
	400,000	28 Sep 2018	FY19	8.52	3,408,000	–	–	–	–	2022–2024	1 Sep 2023
	390,000	30 Sep 2017	FY18	6.41	2,499,900	–	33.3	–	2,332,200	2021–2023	1 Sep 2022
	450,000	30 Sep 2016	FY17	5.64	2,538,000	33.3	33.3	–	2,691,000	2020–2022	1 Sep 2021
	350,000	23 Sep 2015	FY16	4.06	1,421,000	65.0	32.5	2.5	2,040,675	2019–2021	1 Sep 2020
Nick Vrondas	420,000	30 Sep 2020	FY21	15.77	6,623,400	–	–	–	–	2024–2026	1 Sep 2025
	380,000	30 Sep 2019	FY20	11.26	4,278,800	–	–	–	–	2023–2025	2 Sep 2024
	600,000	28 Sep 2018	FY19	8.52	5,112,000	–	–	–	–	2022–2024	1 Sep 2023
	600,000	30 Sep 2017	FY18	6.41	3,846,000	–	33.3	–	3,588,000	2021–2023	1 Sep 2022
	750,000	30 Sep 2016	FY17	5.64	4,230,000	33.3	33.3	–	4,485,000	2020–2022	1 Sep 2021
	750,000	23 Sep 2015	FY16	4.06	3,045,000	65.0	32.5	2.5	4,372,875	2019–2021	1 Sep 2020

Footnotes to the analysis of executive KMP performance rights table:

1. The fair value was 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 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 had an exercise price of $nil, Goodman securities were automatically issued to employees when the performance rights vested. Accordingly, the percentage of performance rights that vested during the financial year equalled the percentage of securities issued during the financial year.
3. The value of performance rights vested was calculated using the closing price of a Goodman security on the ASX of $17.94 on 1 September 2020, the day the performance rights vested.
4. As Goodman securities were automatically issued to employees when the performance rights vested, and lapsed where they failed to do so, the vesting date was also deemed to be the expiry date.

6.4 Securities issued on exercise of performance rights

During FY21, Goodman issued 15,438,241 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.

6.5 Unissued securities under performance rights

At the date of this Directors' report, unissued securities of Goodman under performance rights, i.e. those performance rights that have not yet vested, were:

Expiry date	Exercise price $	Number of performance rights[1]
Sep 2025	–	12,461,933
Sep 2024	–	10,824,964
Sep 2023	–	16,012,338
Sep 2022	–	9,747,941
Sep 2021	–	5,759,671

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited and excludes 13,833,873 performance rights where the intention is to cash settle.

Directors' report

Remuneration report – audited (continued)

6.6 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 – GL and GFML		Salary and fees $	Superannuation benefits $	Total $
Stephen Johns[1]	**FY21**	**480,131**	**21,694**	**501,825**
	FY20	283,997	21,003	305,000
Ian Ferrier[2]	**FY21**	**234,619**	**8,437**	**243,056**
	FY20	603,997	21,003	625,000
Christopher Green	**FY21**	**264,062**	**–**	**264,062**
	FY20	255,000	–	255,000
Mark Johnson[3]	**FY21**	**264,060**	**21,694**	**285,754**
	FY20	19,500	1,750	21,250
Rebecca McGrath	**FY21**	**282,368**	**21,694**	**304,062**
	FY20	273,997	21,003	295,000
Phillip Pryke[4]	**FY21**	**357,068**	**21,694**	**378,762**
	FY20	359,354	21,003	380,357
Penny Winn	**FY21**	**258,306**	**21,694**	**280,000**
	FY20	258,997	21,003	280,000
Non-Executive Director – GLHK		**HK$**	**HK$**	**HK$**
David Collins[5]	**FY21**	**625,000**	**–**	**625,000**
	FY20	625,000	–	625,000

1. Stephen Johns was appointed Chairman on 19 November 2020.
2. Ian Ferrier retired as a Director on 19 November 2020.
3. Mark Johnson was appointed as a Director on 1 June 2020.
4. Salary and fees for Phillip Pryke included an amount of A$83,760 (NZ$90,000) (2020: A$85,357 (NZ$90,000)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.
5. David Collins is a director of GLHK and his director fees are disclosed in Hong Kong dollars.

6.7 Movements in Goodman securities held

The movements during the financial year in the number of Goodman securities held, directly, indirectly or beneficially, by each KMP, including their related parties, are set out below:

Non-Executive Directors – GL and GFML	Year	Held at the start of the year[1]	Securities issued on vesting of performance rights	Acquisitions	Disposals	Held at the end of the year[2]
Stephen Johns	**FY21**	**25,000**	**–**	**16,182**	**39**	**41,143**
	FY20	25,000	–	–	–	25,000
Ian Ferrier	**FY21**	**208,325**	**–**	**1,893**	**–**	**210,218**
	FY20	202,922	–	5,403	–	208,325
Christopher Green	**FY21**	**78,996**	**–**	**–**	**–**	**78,996**
	FY20	78,996	–	–	–	78,996
Mark Johnson	**FY21**	**–**	**–**	**5,000**	**–**	**5,000**
(appointed 1 Jun 2020)	FY20	–	–	–	–	–
Rebecca McGrath	**FY21**	**42,144**	**–**	**917**	**–**	**43,061**
	FY20	39,540	–	2,604	–	42,144
Phillip Pryke	**FY21**	**59,880**	**–**	**–**	**–**	**59,880**
	FY20	100,880	–	–	(41,000)	59,880
Penny Winn	**FY21**	**24,700**	**–**	**–**	**–**	**24,700**
	FY20	24,700	–	–	–	24,700
Non Executive Directors – GLHK						
David Collins	**FY21**	**5,000**	**–**	**–**	**–**	**5,000**
	FY20	5,000	–	–	–	5,000
Executive Directors – GL and GFML						
Gregory Goodman	**FY21**	**38,104,547**	**1,983,333**	**–**	**(1,600,000)**	**38,487,880**
	FY20	38,102,720	1,781,827	5,000	(1,785,000)	38,104,547
Danny Peeters	**FY21**	**2,103,548**	**529,583**	**–**	**(1,000,000)**	**1,633,131**
	FY20	1,591,385	512,163	–	–	2,103,548
Anthony Rozic	**FY21**	**1,475,958**	**628,333**	**–**	**(894,831)**	**1,209,460**
	FY20	1,109,460	609,330	–	(242,832)	1,475,958
Other executive KMP						
Nick Kurtis	**FY21**	**503,330**	**677,083**	**–**	**(626,127)**	**554,286**
	FY20	407,140	658,079	–	(561,889)	503,330
Michael O'Sullivan	**FY21**	**666,601**	**393,750**	**–**	**(217,232)**	**843.119**
	FY20	464,967	403,268	–	(201,634)	666,601
Nick Vrondas	**FY21**	**–**	**693,750**	**–**	**(563,841)**	**129,909**
	FY20	–	659,662	–	(659,662)	–

1. Relates to securities held at the later of the start of the financial year or the date of becoming a KMP.
2. Relates to securities held at the earlier of the end of the financial year or the date of ceasing to be a KMP.

6.8 Transactions with Directors, executives and their related entities

GreenPoint Real Estate Innovation and Technology Venture, LP

On 16 July 2020, the Group committed to investing USD15.0 million in GreenPoint Real Estate Innovation and Technology Venture, LP, a property technology fund that is a Delaware limited partnership, managed by Greenpoint Group LP, also a Delaware limited partnership. Greenpoint Group LP is beneficially owned and controlled by Christopher Green, a Director of Goodman Limited. As at 30 June 2021, the Group had invested USD3,826,595.

Other than as disclosed elsewhere in the remuneration report, there were no other transactions with Directors, executives, and their related entities.

Directors' report

Environmental regulations

Goodman has policies and procedures to identify and appropriately address environmental obligations that might arise in respect of Goodman's operations that are subject to significant environmental laws and regulation. The Directors have determined that Goodman has complied with those obligations during the financial year and that there has not been any material breach.

Declaration by the Group Chief Executive Officer and Group 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 Goodman for the year ended 30 June 2021 have been properly maintained and the financial report for the year ended 30 June 2021 complies with accounting standards and presents a true and fair view of Goodman's financial condition and operational results. The Group Chief Executive Officer and Group Chief Financial Officer confirmed that the above declaration was, to the best of their knowledge and belief, founded on a sound system of risk management and internal control and that the system was operating effectively in all material respects in relation to the financial reporting risks.

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

Pursuant to the Constitution of Goodman, current and former Directors and officers of Goodman are entitled to be indemnified. Deeds of Indemnity have been executed by Goodman, 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 Goodman Limited 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 Goodman 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 Goodman are not indemnified by Goodman or covered in any way by this insurance in respect of the audit.

Non-audit services

During the financial year, KPMG, Goodman and GIT's auditor, performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the financial year 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 Goodman and have been reviewed by the Audit Committee to determine they do not impact the integrity and objectivity of the auditor
+ 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 Goodman, acting as an advocate for Goodman or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of Goodman and GIT, KPMG and its network firms, for the audit and non-audit services provided during the financial year, are set out in note 26 to the consolidated financial statements.

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

The lead auditor's independence declaration is set out on page 67 and forms part of this Directors' report for the financial year.

Rounding

Goodman and GIT are entities of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, amounts in this Directors' report and the consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Goodman, the results of those operations, or the state of affairs of Goodman, in future financial years.

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

Stephen Johns
Independent Chairman
Sydney, 12 August 2021

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 and Goodman Funds Management Limited, as Responsible Entity for Goodman Industrial Trust

I declare that, to the best of my knowledge and belief, in relation to the audits of Goodman Limited (as the deemed parent presenting the stapled security arrangement of the Goodman Group) and Goodman Industrial Trust for the financial year ended 30 June 2021, there have been:

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

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

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney, 12 August 2021

Consolidated statements of financial position

as at 30 June 2021

		Goodman		GIT	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Current assets					
Cash and cash equivalents	21(a)	920.4	1,781.9	379.8	1,302.6
Receivables	7	331.3	282.3	816.1	1,602.1
Contract assets	8	80.9	25.7	–	–
Inventories	6(b)	235.1	544.1	–	–
Other financial assets	17	16.5	59.3	16.5	59.3
Assets held for sale	9	41.5	112.5	–	–
Total current assets		**1,625.7**	**2,805.8**	**1,212.4**	**2,964.0**
Non-current assets					
Receivables	7	277.5	108.3	2,528.5	1,487.4
Inventories	6(b)	1,192.7	636.1	5.9	5.9
Investment properties	6(b)	1,851.2	1,901.2	1,155.7	1,202.4
Investments accounted for using the equity method	6(b)	10,660.0	9,370.8	8,078.4	7,148.3
Deferred tax assets	5(e)	19.9	10.5	–	–
Other financial assets	17	362.8	408.8	314.4	444.1
Property, plant and equipment	12	54.6	50.9	–	–
Intangible assets	14	822.6	845.8	–	–
Total non-current assets		**15,241.3**	**13,332.4**	**12,082.9**	**10,288.1**
Total assets		**16,867.0**	**16,138.2**	**13,295.3**	**13,252.1**
Current liabilities					
Payables	10	565.9	584.5	607.6	655.3
Current tax payables	5(d)	160.1	140.8	–	–
Interest bearing liabilities	16	–	260.1	–	260.1
Provisions	11	294.2	289.4	166.3	201.1
Lease liabilities	13	11.9	17.6	–	–
Other financial liabilities	17	1.9	50.4	1.9	50.4
Total current liabilities		**1,034.0**	**1,342.8**	**775.8**	**1,166.9**
Non-current liabilities					
Payables	10	125.5	85.4	232.2	231.5
Interest bearing liabilities	16	2,060.3	2,678.4	2,062.8	2,679.4
Deferred tax liabilities	5(e)	168.4	121.8	124.0	82.3
Provisions	11	23.7	29.0	–	–
Lease liabilities	13	82.1	29.2	–	–
Other financial liabilities	17	211.5	331.0	124.6	302.6
Total non-current liabilities		**2,671.5**	**3,274.8**	**2,543.6**	**3,295.8**
Total liabilities		**3,705.5**	**4,617.6**	**3,319.4**	**4,462.7**
Net assets		**13,161.5**	**11,520.6**	**9,975.9**	**8,789.4**
Equity attributable to Securityholders					
Issued capital	20	8,096.4	8,031.7	7,849.0	7,623.5
Reserves		134.8	384.7	(33.7)	136.7
Retained earnings		4,930.3	3,104.2	2,160.6	1,029.2
Total equity attributable to Securityholders		**13,161.5**	**11,520.6**	**9,975.9**	**8,789.4**
Comprising:					
Total equity attributable to GL	22(a)	1,635.6	1,278.0		
Total equity attributable to other entities stapled to GL	22(b)	11,525.9	10,242.6		
Total equity attributable to Securityholders		**13,161.5**	**11,520.6**	**9,975.9**	**8,789.4**

The consolidated statements of financial position are to be read in conjunction with the accompanying notes.

Consolidated income statements

for the year ended 30 June 2021

		Goodman		GIT	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Revenue					
Gross property income	2	112.4	115.9	60.2	67.9
Management income	2	383.9	511.2	–	–
Development income	2	1,492.0	882.6	–	0.3
Distributions from investments		–	1.2	9.1	9.9
		1,988.3	**1,510.9**	**69.3**	**78.1**
Property and development expenses					
Property expenses		(32.8)	(36.4)	(20.2)	(23.0)
Development expenses	2	(862.3)	(443.4)	(2.3)	(1.0)
		(895.1)	**(479.8)**	**(22.5)**	**(24.0)**
Other income					
Net gain from fair value adjustments on investment properties	6(e)	63.1	45.2	60.2	36.5
Net gain on disposal of investment properties		37.7	54.5	39.3	9.1
Share of net results of equity accounted investments	6(f)	1,708.9	1,022.2	1,373.8	825.5
Net gain on disposal of equity investments	2	5.0	0.6	3.2	0.1
		1,814.7	**1,122.5**	**1,476.5**	**871.2**
Other expenses					
Employee expenses	2	(210.8)	(203.7)	–	–
Share based payments expense	2	(268.8)	(164.0)	–	–
Administrative and other expenses		(83.2)	(88.6)	(52.1)	(54.0)
Reversal of previous impairments		–	–	17.6	–
		(562.8)	**(456.3)**	**(34.5)**	**(54.0)**
Profit before interest and tax		**2,345.1**	**1,697.3**	**1,488.8**	**871.3**
Net finance income/(expense)					
Finance income	15	94.3	13.2	177.9	133.1
Finance expense	15	(19.4)	(93.4)	(42.4)	(157.2)
Net finance income/(expense)		**74.9**	**(80.2)**	**135.5**	**(24.1)**
Profit before income tax		**2,420.0**	**1,617.1**	**1,624.3**	**847.2**
Income tax expense	5(a)	(108.1)	(113.0)	(49.5)	(11.1)
Profit for the year		**2,311.9**	**1,504.1**	**1,574.8**	**836.1**
Profit attributable to GL	22(a)	300.2	315.9		
Profit attributable to other entities stapled to GL	22(b)	2,011.7	1,188.2		
Profit for the year attributable to Securityholders		**2,311.9**	**1,504.1**		
Basic profit per security (¢)	3	125.4	82.4		
Diluted profit per security (¢)	3	122.1	80.0		

The consolidated income statements are to be read in conjunction with the accompanying notes.

Consolidated statements of comprehensive income

for the year ended 30 June 2021

		Goodman		GIT	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Profit for the year		**2,311.9**	**1,504.1**	**1,574.8**	**836.1**
Other comprehensive income/(loss) for the year					
Items that will not be reclassified to profit or loss					
Actuarial losses on defined benefit superannuation funds		(6.0)	(8.2)	–	–
Effect of foreign currency translation		(0.8)	0.2	–	–
		(6.8)	**(8.0)**	**–**	**–**
Items that are or may be reclassified subsequently to profit or loss					
Increase/(decrease) due to revaluation of other financial assets		0.3	–	(2.2)	(5.6)
Cash flow hedges:					
– Change in value of financial instruments		0.3	(1.7)	0.3	(1.7)
Effect of foreign currency translation		(278.6)	(26.7)	(182.2)	32.5
		(278.0)	**(28.4)**	**(184.1)**	**25.2**
Other comprehensive (loss)/income for the year, net of income tax		**(284.8)**	**(36.4)**	**(184.1)**	**25.2**
Total comprehensive income for the year		**2,027.1**	**1,467.7**	**1,390.7**	**861.3**
Total comprehensive income attributable to GL	22(a)	271.6	281.7		
Total comprehensive income attributable to other entities stapled to GL	22(b)	1,755.5	1,186.0		
Total comprehensive income for the year attributable to Securityholders		**2,027.1**	**1,467.7**		

The consolidated statements of comprehensive income are to be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

for the year ended 30 June 2021

		Attributable to Securityholders								
Goodman		**Issued capital**	**Asset revaluation reserve**	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Employee compensation reserve**	**Defined benefit retirement schemes reserve**	**Total reserves**	**Retained earnings**	**Total**
	Note	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Balance at 1 July 2019		**8,031.7**	**(7.1)**	**(3.3)**	**215.0**	**216.2**	**(23.3)**	**397.5**	**2,093.3**	**10,522.5**
Total comprehensive income/(loss) for the year										
Profit for the year		–	–	–	–	–	–	–	1,504.1	**1,504.1**
Other comprehensive income/(loss)										
Effect of foreign currency translation		–	(0.1)	(0.2)	(26.4)	–	0.2	(26.5)	–	**(26.5)**
Cash flow hedges:										
– Change in value of financial instruments		–	–	(1.7)	–	–	–	(1.7)	–	**(1.7)**
Actuarial losses on defined benefit superannuation funds, net of income tax		–	–	–	–	–	(8.2)	(8.2)	–	**(8.2)**
Total other comprehensive (loss)/income for the year, net of income tax		–	(0.1)	(1.9)	(26.4)	–	(8.0)	(36.4)	–	**(36.4)**
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(0.1)**	**(1.9)**	**(26.4)**	**–**	**(8.0)**	**(36.4)**	**1,504.1**	**1,467.7**
Transfers		–	–	–	–	(55.3)	–	(55.3)	55.3	**–**
Contributions by and distributions to owners										
Dividends/distributions on stapled securities	19	–	–	–	–	–	–	–	(548.5)	**(548.5)**
Purchase of securities for the LTIP		–	–	–	–	(19.1)	–	(19.1)	–	**(19.1)**
Equity settled share based payments expense		–	–	–	–	98.0	–	98.0	–	**98.0**
Balance at 30 June 2020		**8,031.7**	**(7.2)**	**(5.2)**	**188.6**	**239.8**	**(31.3)**	**384.7**	**3,104.2**	**11,520.6**
Total comprehensive income/(loss) for the year										
Profit for the year		–	–	–	–	–	–	–	2,311.9	**2,311.9**
Other comprehensive income/(loss)										
Effect of foreign currency translation		–	0.2	0.5	(279.3)	–	(0.8)	(279.4)	–	**(279.4)**
Cash flow hedges:										
– Change in value of financial instruments		–	–	0.3	–	–	–	0.3	–	**0.3**
Decrease due to revaluation of other financial assets		–	0.3	–	–	–	–	0.3	–	**0.3**
Actuarial losses on defined benefit superannuation funds, net of income tax		–	–	–	–	–	(6.0)	(6.0)	–	**(6.0)**
Total other comprehensive income/(loss) for the year, net of income tax		–	0.5	0.8	(279.3)	–	(6.8)	(284.8)	–	**(284.8)**
Total comprehensive income/(loss) for the year, net of income tax		**–**	**0.5**	**0.8**	**(279.3)**	**–**	**(6.8)**	**(284.8)**	**2,311.9**	**2,027.1**
Transfers		–	–	–	–	(68.4)	–	(68.4)	68.4	**–**
Contributions by and distributions to owners										
Dividends/distributions on stapled securities	19	–	–	–	–	–	–	–	(554.2)	**(554.2)**
Issue of securities	20(a)	65.1	–	–	–	–	–	–	–	**65.1**
Issue costs		(0.4)	–	–	–	–	–	–	–	**(0.4)**
Purchase of securities for the LTIP		–	–	–	–	(22.4)	–	(22.4)	–	**(22.4)**
Equity settled share based payments expense		–	–	–	–	134.7	–	134.7	–	**134.7**
Deferred taxes associated with the LTIPs		–	–	–	–	8.1	–	8.1	–	**8.1**
Transfer to payables		–	–	–	–	(17.1)	–	(17.1)	–	**(17.1)**
Balance at 30 June 2021		**8,096.4**	**(6.7)**	**(4.4)**	**(90.7)**	**274.7**	**(38.1)**	**134.8**	**4,930.3**	**13,161.5**

The consolidated statements of changes in equity are to be read in conjunction with the accompanying notes. For an analysis of equity attributable to non-controlling interests, refer to note 22(b).

Consolidated statements of changes in equity

for the year ended 30 June 2021

		Attributable to Unitholders							
GIT		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Total reserves	Retained earnings	Total
	Note	$M	$M	$M	$M	$M	$M	$M	$M
Balance at 1 July 2019		**7,477.3**	**12.6**	**(3.3)**	**(71.1)**	**159.7**	**97.9**	**668.5**	**8,243.7**
Total comprehensive income/(loss) for the year									
Profit for the year		–	–	–	–	–	–	836.1	**836.1**
Other comprehensive income/(loss)									
Effect of foreign currency translation		–	–	(0.2)	32.7	–	32.5	–	**87.5**
Cash flow hedges:									
– Change in value of financial instruments		–	–	(1.7)	–	–	(1.7)	–	**(1.7)**
Decrease due to revaluation of other financial assets		–	(5.6)	–	–	–	(5.6)	–	**(5.6)**
Total other comprehensive (loss)/income for the year, net of income tax		–	(5.6)	(1.9)	32.7	–	25.2	–	**25.2**
Total comprehensive (loss)/income for the year		**–**	**(5.6)**	**(1.9)**	**32.7**	**–**	**25.2**	**836.1**	**861.3**
Contributions by and distributions to owners									
Distributions on ordinary units	19	–	–	–	–	–	–	(475.4)	**(475.4)**
Issue of ordinary units under the LTIP	20(a)	146.2	–	–	–	–	–	–	**146.2**
Equity settled share based payments transactions		–	–	–	–	13.6	13.6	–	**13.6**
Balance at 30 June 2020		**7,623.5**	**7.0**	**(5.2)**	**(38.4)**	**173.3**	**136.7**	**1,029.2**	**8,789.4**
Total comprehensive income/(loss) for the year									
Profit for the year		–	–	–	–	–	–	1,574.8	**1,574.8**
Other comprehensive (loss)/income									
Effect of foreign currency translation		–	(0.2)	0.4	(182.3)	–	(182.2)	–	**(182.2)**
Cash flow hedges:									
– Change in value of financial instruments		–	–	0.3	–	–	0.3	–	**0.3**
Decrease due to revaluation of other financial assets		–	(2.2)	–	–	–	(2.2)	–	**(2.2)**
Total other comprehensive (loss)/income for the year, net of income tax		–	(2.5)	0.7	(182.3)	–	(184.1)	–	**(184.1)**
Total comprehensive (loss)/income for the year		**–**	**(2.5)**	**0.7**	**(182.3)**	**–**	**(184.1)**	**1,574.8**	**1,390.7**
Contributions by and distributions to owners									
Distributions on ordinary units	19	–	–	–	–	–	–	(443.4)	**(443.4)**
Issue of ordinary units		42.5	–	–	–	–	–	–	**42.5**
Issue of ordinary units for the LTIP	20(a)	183.2	–	–	–	–	–	–	**183.2**
Issue costs on ordinary units		(0.2)	–	–	–	–	–	–	**(0.2)**
Equity settled share based payments transactions		–	–	–	–	13.7	13.7	–	**13.7**
Balance at 30 June 2021		**7,849.0**	**4.5**	**(4.5)**	**(220.7)**	**187.0**	**(33.7)**	**2,160.6**	**9,975.9**

The consolidated statements of changes in equity are to be read in conjunction with the accompanying notes.

Consolidated cash flow statements

for the year ended 30 June 2021

	Note	Goodman 2021 $M	Goodman 2020 $M	GIT 2021 $M	GIT 2020 $M
Cash flows from operating activities					
Property income received		108.3	130.2	62.1	64.3
Cash receipts from development activities		1,560.3	1,031.4	–	–
Other cash receipts from services provided		346.4	692.1	–	–
Property expenses paid		(41.7)	(39.0)	(21.1)	(20.8)
Payments for development activities		(947.4)	(619.0)	–	(0.5)
Other cash payments in the course of operations		(381.6)	(337.3)	(54.1)	(50.0)
Distributions received from equity investments, including Partnerships		536.9	462.2	381.7	244.0
Interest received		9.2	18.1	8.7	16.4
Finance costs paid		(34.3)	(105.5)	(38.2)	(114.9)
Net income taxes (paid)/refunded		(41.4)	(76.3)	0.5	(3.2)
Net cash provided by operating activities	21(b)	**1,114.7**	**1,156.9**	**339.6**	**135.3**
Cash flows from investing activities					
Net proceeds from disposal of investment properties		170.2	212.3	161.9	2.4
Proceeds from disposal of controlled entities, net of cash disposed		–	95.6	–	–
Net proceeds from disposal of equity investments		13.1	0.7	11.3	0.2
Return of capital by Partnerships		256.3	428.4	166.1	415.0
Payments for investment properties		(192.2)	(234.3)	(17.5)	(12.9)
Payments for investments in Partnerships		(790.3)	(806.6)	(464.9)	(552.0)
Payments for plant and equipment		(7.0)	(2.5)	–	–
Net cash used in investing activities		**(549.9)**	**(306.4)**	**(143.1)**	**(147.3)**
Cash flows from financing activities					
Proceeds from issue of stapled securities		65.1	–	42.5	–
Issue costs due to stapled securities		(0.3)	–	(0.2)	–
Net cash flows from/to loans with related parties		(135.0)	(9.8)	25.1	511.7
Proceeds from borrowings and derivative financial instruments		204.6	50.0	246.8	50.0
Payments on borrowings and derivative financial instruments		(891.9)	(118.0)	(891.9)	(0.9)
Dividends and distributions paid		(551.4)	(546.3)	(478.2)	(455.7)
Payments of lease liabilities		(17.8)	(17.7)	–	–
Purchase of securities to fund LTIP obligations		(22.4)	(19.1)	–	–
Net cash (used in)/provided by financing activities		**(1,349.1)**	**(660.9)**	**(1,055.9)**	**105.1**
Net (decrease)/increase in cash held		(784.3)	189.6	(859.4)	93.1
Cash and cash equivalents at the beginning of the year		1,792.8	1,607.1	1,302.6	1,214.4
Effect of exchange rate fluctuations on cash held		(88.1)	(3.9)	(63.4)	(4.9)
Cash and cash equivalents at the end of the year	21(a)	**920.4**	**1,792.8**	**379.8**	**1,302.6**

The consolidated cash flow statements are to be read in conjunction with the accompanying notes.

Non-cash transactions are included in note 21(c).

Notes to the consolidated financial statements

BASIS OF PREPARATION

This section sets out the general basis upon which Goodman and GIT have prepared their financial statements and information that is disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

Specific accounting policies can be found in the sections to which they relate.

1. Basis of preparation

Goodman Limited and Goodman Industrial Trust are for-profit entities domiciled in Australia.

Statement of compliance

These consolidated financial statements are general purpose financial statements which have 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 statements also comply with IFRS.

The consolidated financial statements are presented in Australian dollars and were authorised for issue by the Directors on 12 August 2021.

Basis of preparation of the consolidated financial reports

Shares in the Company, units in the Trust 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, the Trust and GLHK, the Company is identified as having acquired control over the assets of the Trust and GLHK. In the consolidated statement of financial position of the Group, equity attributable to the Trust and the CDIs over the shares of GLHK are presented as non-controlling interests.

As permitted by the relief provided in ASIC Instrument 20-0568, these financial statements present both the financial statements and accompanying notes of Goodman and GIT. GLHK, which is incorporated and domiciled in Hong Kong, prepares its financial statements under Hong Kong Financial Reporting Standards and the applicable requirements of the Hong Kong Companies Ordinance and accordingly the financial statements of GLHK have not been combined and included as adjacent columns in this report. The financial statements of GLHK have been included as an appendix to this report.

The consolidated financial statements are 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
+ Investments in unlisted securities
+ Liabilities for cash settled share based payment arrangements.

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in these consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the 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 and the Trust'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 the income statement.

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 controlled 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 the income statement.

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.

Exchange rates used

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

	Weighted average		As at 30 June	
Australian dollars (AUD)	**2021**	**2020**	**2021**	**2020**
New Zealand dollars (NZD)	1.0745	1.0544	1.0739	1.0694
Hong Kong dollars (HKD)	5.7958	5.2340	5.8222	5.3402
Chinese yuan (CNY)	4.9419	4.7200	4.8412	4.8688
Japanese yen (JPY)	79.6101	72.6051	83.2780	74.2910
Euros (EUR)	0.6262	0.6071	0.6327	0.6128
British pounds sterling (GBP)	0.5546	0.5329	0.5432	0.5566
United States dollars (USD)	0.7472	0.6714	0.7497	0.6890
Brazilian real (BRL)	4.0236	2.9963	3.7528	3.7602

Changes in accounting policies

The AASB has issued new or amendments to standards that are first effective from 1 July 2020 but none of these have a material impact on the Group's financial statements.

Australian Accounting Standards issued but not yet effective

The Group has not applied any new or amended standard that is not yet effective but available for early application in the current accounting period. None of the new or amended accounting standards are expected to have a significant impact on the future results of the Group.

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 Goodman. 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 14 – Goodwill and intangible assets
+ Note 18 – Financial risk management.

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

Measurement of fair values

A number of Goodman'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, Goodman 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)
+ 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
+ Note 18 – Financial risk management.

Notes to the consolidated financial statements

(continued)

RESULTS FOR THE YEAR

The notes in this section focus on the significant items in the income statement, and include the profit per security, analysis of the results by operating segment and taxation details.

2. Profit before income tax

Gross property income

Gross property income comprises rental income under operating leases (net of incentives provided) and amounts billed to customers for outgoings (e.g. rates, levies, cleaning, security, etc). Amounts billed to customers for outgoings are a cost recovery for Goodman and are recognised once the expense has been incurred. The expense is included in property expenses.

Rental income under operating leases is 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 amortised on a straight-line basis over the life of the lease as a reduction of gross property income.

Management and development income

The revenue from management and development activities is measured based on the consideration specified in a contract with a customer. Goodman recognises revenue when it transfers control over a product or service to a customer.

Management income

Fee income derived from management services relates to investment management base fees and property services fees and is recognised and invoiced progressively as the services are provided. Customers make payments usually either monthly or quarterly in arrears.

Performance related management income generally relates to portfolio performance fee income, which is recognised progressively as the services are provided but only when the income can be reliably measured and is highly probable of not being reversed. These portfolio performance fees are typically dependent on the overall returns of a Partnership relative to an agreed benchmark return, assessed over the life of the Partnership, which can vary from one year to seven years. The returns are impacted by operational factors such as the quality and location of the portfolio, active property management, rental income rates and development activity but can also be significantly affected by changes in global and local economic conditions. Accordingly, portfolio performance fee revenue is only recognised towards the end of the relevant assessment period, as prior to this revenue recognition is not considered to be sufficiently certain.

In determining the amount of revenue that can be reliably measured, management prepares a sensitivity analysis to understand the impact of changes in asset valuations on the potential performance fee at the assessment date. The assessment of revenue will depend on the prevailing market conditions at the reporting date relative to long-term averages and also the length of time until the assessment date; e.g. the longer the time period to assessment date, the greater the impact of the sensitivity analysis. The potential portfolio performance fee revenue is then recognised based on the length of time from the start of the assessment period to the reporting date as a proportion of the total assessment period. Where the income is attributable to development activities or it relates to a combination of inextricable management and development activities that have occurred over the performance fee period, then it is reported as development income; otherwise, the income is reported as management income. The Partnerships make payments in respect of portfolio performances fees at the end of the performance periods once the attainment of the conditions has been verified and the amount of the fee has been agreed by all parties.

Development income – disposal of inventories

The disposal of inventories is recognised at the point in time when control over the property asset is transferred to the customer. This will generally occur on transfer of legal title and payment in full by the customer. 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 is included in the income statement in the period of disposal.

Development income – development management services

Fee income from development management services (including master-planning, development management and overall project management) is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs. Payments are received in accordance with the achievement of agreed milestones over the development period. The development period can be up to 24 months for larger, more complex projects.

Performance related development income includes income associated with the returns from individual developments under the Group's management and performance fee income that relates to development activity. Income in respect of individual developments is recognised by Goodman on attainment of the performance related conditions, which is when the income can be reliably measured and is highly probable of not being reversed. These amounts are paid by the Partnership when the amounts have been measured and agreed. Income associated with development activities as part of a portfolio assessment is recognised on the same basis as outlined above in the management income section.

Development income – fixed price development contracts

Certain development activities are assessed as being fixed price development contracts. This occurs when a signed contract exists, either prior to the commencement of or during the development phase, to acquire a development asset from Goodman on completion. Revenue and expenses relating to these development contracts are recognised in the income statement in proportion to the stage of completion of the relevant contracts by reference to costs. The payments may be on completion of the development once legal title has been transferred. The development period can be up to 24 months for larger, more complex projects.

Net gain on disposal of investment properties

The disposal of an investment property is recognised at the point in time when control over the property has been transferred to the purchaser.

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 are expected to be paid as at balance date including related on-costs, such as insurances and payroll tax.

Bonuses

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

Superannuation

Defined contribution funds

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

Defined benefit retirement schemes

The net obligation in respect of defined benefit retirement schemes is recognised in the statement of financial position and is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit retirement schemes are recognised in the income statement.

Notes to the consolidated financial statements

Results for the year (continued)

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

		Goodman		GIT	
		2021 $M	2020 $M	2021 $M	2020 $M
Gross property income					
Rental income		93.0	94.6	45.9	53.6
Recovery of property outgoings		19.4	21.3	14.3	14.3
Gross property income		**112.4**	**115.9**	**60.2**	**67.9**
Management activities					
Management services		310.1	304.0	–	–
Performance related income		73.8	207.2	–	–
Management income		**383.9**	**511.2**	**–**	**–**
Development activities					
Income from disposal of inventories		890.5	461.8	–	0.3
Income from fixed price development contracts		195.0	82.8	–	–
Other development income, including development management[1]		274.2	309.5	–	–
Net gain on disposal of assets held for sale		132.3	–	–	–
Net gain on disposal of special purpose development entities		–	28.5	–	–
Development income		**1,492.0**	**882.6**	**–**	**0.3**
Inventory cost of sales		(686.8)	(329.8)	(2.3)	(1.0)
Other development expenses		(175.5)	(113.6)	–	–
Development expenses		**(862.3)**	**(443.4)**	**(2.3)**	**(1.0)**
Disposal of equity investments					
Net consideration from disposal of associates and JVs		17.0	7.7	11.3	0.1
Carrying value of associates and JVs disposed	6(f)	(12.0)	(7.1)	(8.1)	–
Net gain on disposal of equity investments		**5.0**	**0.6**	**3.2**	**0.1**
Employee expenses					
Wages, salaries and on-costs		(203.4)	(195.2)	–	–
Annual and long service leave		(1.4)	(1.9)	–	–
Superannuation costs		(6.0)	(6.6)	–	–
Employee expenses		**(210.8)**	**(203.7)**	**–**	**–**
Share based payments expense					
Equity settled share based payments expense		(134.7)	(98.0)	–	–
Cash settled share based payments expense		(105.4)	(41.2)	–	–
Other share based payments related costs		(28.7)	(24.8)	–	–
Share based payments expense		**(268.8)**	**(164.0)**	**–**	**–**
Amortisation and depreciation		**(23.0)**	**(22.5)**	**–**	**–**
Impairment losses					
Reversal of previous impairment on loans to related parties		–	–	17.6	–
Impairment losses		**–**	**–**	**17.6**	**–**

1. Fee revenues from single contractual arrangements involving a combination of inextricable Investment Management and Development Management services and recognised over the life of the underlying development projects are classified as development income for statutory reporting purposes. During the year, $75.2 million (FY20: $nil) of such income was recognised.

3. Profit per security

Basic profit per security of the Group is calculated by dividing the profit 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 attributable to the Securityholders and weighted average number of securities outstanding for all dilutive potential securities, which comprise performance rights issued under the LTIP.

Goodman

	2021 ¢	2020 ¢
Profit per security		
Basic profit per security	125.4	82.4
Diluted profit per security	122.1	80.0

Profit after tax of $2,311.9 million (2020: $1,504.1 million) was used in calculating basic and diluted profit per security.

Weighted average number of securities used in calculating basic and diluted profit per security:

	2021	2020
	Number of securities	
Weighted average number of securities used in calculating basic profit per security	1,844,221,829	1,826,031,065
Effect of performance rights on issue	48,908,249	54,173,117
Weighted average number of securities used in calculating diluted profit per security	**1,893,130,078**	**1,880,204,182**

The calculation of profit per security is not required for GIT.

Goodman Limited

Under Australian Accounting Standards, the issued units of the Trust and the CDIs over the shares of GLHK are presented as non-controlling interests. As a consequence, the Directors are required to present a profit per share and a diluted profit per share based on Goodman Limited's consolidated result after tax but excluding the results attributable to the Trust and GLHK.

	2021 ¢	2020 ¢
Profit per Goodman Limited share		
Basic profit per Goodman Limited share	16.3	17.3
Diluted profit per Goodman Limited share	15.9	16.8

Profit after tax of $300.2 million (2020: $315.9 million) was used in calculating basic and diluted profit per Goodman Limited share.

4. Segment reporting

An operating segment is a component of Goodman that engages in business activities from which it may earn revenues and incur expenses. Goodman 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.

Operating segment information is reported on a geographic basis and Goodman has determined that its operating segments are Australia and New Zealand (reported on a combined basis), Asia (Greater China and Japan), Continental Europe (primarily Germany and France), the United Kingdom and the Americas (North America and Brazil).

The activities and services undertaken by the operating segments include:

+ Property investment, through both direct ownership and cornerstone investments in Partnerships
+ Management activities, both investment and property management
+ Development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for Partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment are the property assets, including the investments in Partnerships and trade and other receivables associated with the operating activities, but exclude inter-entity funding, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude interest bearing liabilities, derivative financial instruments, provisions for distributions and corporate liabilities.

Notes to the consolidated financial statements

Results for the year (continued)
4 Segment reporting (continued)

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements of Goodman and GIT.

For the purpose of operating segment reporting, there are no material intersegment revenues and costs. Information regarding the operations of each reportable segment is included on the following pages.

Information about reportable segments

Goodman	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
Income statement	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
External revenues												
Gross property income	95.8	105.6	6.5	0.1	8.5	–	1.0	9.7	0.6	0.5	112.4	115.9
Management income	147.0	159.6	110.2	246.2	107.4	88.0	3.3	2.3	16.0	15.1	383.9	511.2
Development income	223.6	99.6	164.8	193.8	796.5	511.3	245.3	19.0	61.8	58.9	1,492.0	882.6
Distributions from investments	–	–	–	–	–	1.2	–	–	–	–	–	1.2
Total external revenues	**466.4**	**364.8**	**281.5**	**440.1**	**912.4**	**600.5**	**249.6**	**31.0**	**78.4**	**74.5**	**1,988.3**	**1,510.9**
Analysis of external revenues												
Revenue from contracts with customers												
Assets and services transferred at a point in time	106.3	11.5	17.2	18.6	730.5	494.4	228.7	4.5	–	–	1,082.7	529.0
Assets and services transferred over time	282.6	266.1	260.4	421.5	174.2	104.9	20.0	17.0	77.8	74.0	815.0	883.5
Other revenue												
Rental income (excludes outgoings recoveries)	77.5	87.2	3.9	–	7.7	–	0.9	9.5	0.6	0.5	90.6	97.2
Distributions from investments	–	–	–	–	–	1.2	–	–	–	–	–	1.2
Total external revenues	**466.4**	**364.8**	**281.5**	**440.1**	**912.4**	**600.5**	**249.6**	**31.0**	**78.4**	**74.5**	**1,988.3**	**1,510.9**
Reportable segment profit before tax	**467.4**	**435.8**	**324.5**	**477.7**	**458.8**	**282.3**	**31.8**	**20.9**	**128.9**	**102.5**	**1,411.4**	**1,319.2**
Share of net results of equity accounted investments	853.0	384.7	273.2	394.3	165.7	98.3	32.9	14.8	384.1	130.1	1,708.9	1,022.2
Material non-cash items not included in reportable segment profit before tax												
Net gain from fair value adjustments on investment properties	63.1	46.4	–	–	–	–	–	(1.2)	–	–	63.1	45.2
Statement of financial position	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Reportable segment assets	**6,619.9**	**5,854.1**	**3,565.7**	**3,345.3**	**2,382.2**	**2,310.2**	**840.6**	**891.8**	**2,475.9**	**2,122.8**	**15,884.3**	**14,524.2**
Non-current assets	6,314.6	5,445.6	3,261.8	2,938.3	2,126.5	1,870.6	761.8	591.2	2,335.8	2,017.3	14,800.5	12,829.3
Included in reportable segment assets are:												
Investment properties	1,687.3	1,894.0	137.7	–	–	–	26.2	7.2	–	–	1,851.5	1,901.2
Investments accounted for using the equity method	4,251.0	3,451.5	2,808.8	2,732.8	865.2	898.9	408.0	281.0	2,327.0	2,006.6	10,660.0	9,370.8
Reportable segment liabilities	**113.9**	**137.1**	**242.4**	**205.9**	**111.0**	**101.6**	**80.4**	**77.9**	**156.2**	**109.5**	**703.9**	**632.0**

GIT	Australia and New Zealand		Asia		Continental Europe		Americas		Total	
Income statement	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**
External revenues										
Gross property income	60.2	67.9	–	–	–	–	–	–	60.2	67.9
Development income	–	0.3	–	–	–	–	–	–	–	0.3
Distributions from investments	–	–	–	–	9.1	9.9	–	–	9.1	9.9
Total external revenues	**60.2**	**68.2**	**–**	**–**	**9.1**	**9.9**	**–**	**–**	**69.3**	**78.1**
Analysis of external revenues										
Revenue from contracts with customers										
Assets and services transferred at a point in time	–	0.3	–	–	–	–	–	–	–	0.3
Assets and services transferred over time	14.3	14.3	–	–	–	–	–	–	14.3	14.3
Other revenue										
Rental income (excludes outgoings recoveries)	45.9	53.6	–	–	–	–	–	–	45.9	53.6
Distributions from investments	–	–	–	–	9.1	9.9	–	–	9.1	9.9
Total external revenues	**60.2**	**68.2**	**–**	**–**	**9.1**	**9.9**	**–**	**–**	**69.3**	**78.1**
Reportable segment profit before tax	**240.2**	**180.9**	**33.0**	**34.3**	**69.2**	**64.9**	**73.9**	**70.8**	**416.3**	**350.9**
Share of net results of equity accounted investments	726.2	332.2	137.3	284.7	140.0	83.2	370.3	125.4	1,373.8	825.5
Material non-cash items not included in reportable segment profit before tax										
Net gain from fair value adjustments on investment properties	60.2	36.5	–	–	–	–	–	–	60.2	36.5
Statement of financial position	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**
Reportable segment assets	**4,947.0**	**4,405.5**	**1,522.5**	**1,510.6**	**732.9**	**779.1**	**2,268.1**	**1,953.8**	**9,470.5**	**8,649.0**
Non-current assets	4,939.3	4,153.2	1,522.5	1,510.6	727.9	778.1	2,243.2	1,934.5	9,432.9	8,376.4
Included in reportable segment assets are:										
Investment properties	1,155.7	1,202.4	–	–	–	–	–	–	1,155.7	1,202.4
Investments accounted for using the equity method	3,601.7	2,944.8	1,522.5	1,510.6	711.0	758.4	2,243.2	1,934.5	8,078.4	7,148.3
Reportable segment liabilities	**44.6**	**91.3**	**–**	**–**	**0.6**	**–**	**124.1**	**82.3**	**169.3**	**173.6**

Notes to the consolidated financial statements

Results for the year (continued)
4 Segment reporting (continued)

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

		Goodman		GIT	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Revenues					
Total revenue for reportable segments		1,988.3	1,510.9	69.3	78.1
Consolidated revenues		**1,988.3**	**1,510.9**	**69.3**	**78.1**
Profit or loss					
Total profit before tax for reportable segments					
Property investment earnings		411.5	425.2	416.3	350.9
Management earnings		459.1	511.2	–	–
Development earnings[1]		717.9	575.7	–	–
Operating expenses allocated to reportable segments		(177.1)	(192.9)	–	–
Reportable segment profit before tax		**1,411.4**	**1,319.2**	**416.3**	**350.9**
Corporate expenses not allocated to reportable segments		(116.9)	(99.4)	(51.7)	(53.6)
		1,294.5	**1,219.8**	**364.6**	**297.3**
Valuation and other items not included in reportable segment profit before tax:					
– Net gain from fair value adjustments on investment properties	6(e)	63.1	45.2	60.2	36.5
– Share of fair value adjustments attributable to investment properties in Partnerships	6(f)	1,295.8	591.7	1,072.1	536.0
– Reversal of previous impairment on loans to related parties		–	–	17.6	–
– Share of fair value adjustments on derivative financial instruments in Partnerships	6(f)	(28.9)	16.2	(28.3)	15.0
– Share based payments expense	2	(268.8)	(164.0)	–	–
– Straight lining of rental income and tax deferred adjustments		(3.2)	(11.6)	2.6	(13.5)
Profit before interest and tax		**2,352.5**	**1,697.3**	**1,488.8**	**871.3**
Net finance (expense)[1]	15	67.5	(80.2)	135.5	(24.1)
Consolidated profit before income tax		**2,420.0**	**1,617.1**	**1,624.3**	**847.2**
Assets					
Assets for reportable segments		15,884.3	14,524.2	9,470.5	8,649.0
Cash		514.6	1,042.9	349.6	1,039.5
Other unallocated amounts[2]		468.1	571.1	3,475.2	3,563.6
Consolidated total assets		**16,867.0**	**16,138.2**	**13,295.3**	**13,252.1**
Liabilities					
Liabilities for reportable segments		703.9	632.0	169.3	173.6
Interest bearing liabilities		2,060.3	2,938.5	2,062.8	2,939.5
Provisions for dividends/distributions to Securityholders	11	277.1	274.3	166.3	201.1
Other unallocated amounts[2]		664.2	772.8	921.0	1,148.5
Consolidated total liabilities		**3,705.5**	**4,617.6**	**3,319.4**	**4,462.7**

1. Development earnings include $7.4 million (2020: $nil) of interest income from a loan to a development JV. The interest income is reported under finance income in note 15.
2. Other unallocated amounts in Goodman and GIT included other financial assets and liabilities, deferred tax assets, tax payables and provisions which did not relate to the reportable segments. Additionally, other unallocated assets and liabilities in GIT included loans due from/to controlled entities of Goodman.

5. Taxation

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

(a) Amounts recognised in the income statement

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Current tax expense recognised in the income statement				
Current year	(66.3)	(128.5)	(0.9)	(8.0)
Adjustment for current tax in prior periods	8.5	5.5	–	–
Current tax expense	**(57.8)**	**(123.0)**	**(0.9)**	**(8.0)**
Deferred tax expense recognised in the income statement				
Origination and reversal of temporary differences	(50.3)	10.0	(48.6)	(19.1)
Deferred tax expense	**(50.3)**	**10.0**	**(48.6)**	**(19.1)**
Total income tax expense recognised in the income statement[1]	**(108.1)**	**(113.0)**	**(49.5)**	**(11.1)**

1. Goodman's total income tax expense includes deferred taxes of $50.4 million (2020: $15.6 million) on fair value adjustments on investment properties.

(b) Amounts recognised in equity

	Goodman	
	2021 $M	2020 $M
Deferred tax benefit/(expense) recognised in equity		
LTIP	8.1	–
Defined benefit superannuation funds	(4.7)	(4.9)
Total income tax benefit/(expense) recognised in equity	**3.4**	**(4.9)**

Notes to the consolidated financial statements

Results for the year (continued)
5 Taxation (continued)

(c) Reconciliation of income tax expense to profit before income tax

	Goodman	
	2021 $M	2020 $M
Profit before income tax	2,420.0	1,617.1
Prima facie income tax expense calculated at 30% (2020: 30%) on the profit before income tax	(726.0)	(485.1)
Decrease/(increase) in income tax due to:		
– Profit attributable to GIT Unitholders	483.5	252.6
– Current year losses for which no deferred tax asset was recognised	(34.3)	(3.4)
– Other non-assessable/(deductible) items, net	135.7	101.3
– Utilisation of previously unrecognised tax losses	68.9	39.5
– Difference in overseas tax rates	11.2	5.5
– Adjustment for current tax in prior periods	8.5	5.5
– Taxes on partnership income	(62.8)	(25.8)
– Other items	7.2	(3.1)
Income tax expense	**(108.1)**	**(113.0)**

GIT

The income tax expense recorded by GIT relates to withholding taxes on actual distributions and deferred taxes on potential future distributions from Partnerships.

(d) Current tax receivable/payable

	Goodman	
	2021 $M	2020 $M
Net income tax payable		
Net income tax payable at the beginning of the year	(131.8)	(85.0)
Decrease/(increase) in current tax payable due to:		
– Net income taxes paid	41.4	76.3
– Current tax expense	(57.8)	(123.0)
– Other	4.2	(0.1)
Net income tax payable at the end of the year	**(144.0)**	**(131.8)**
Current tax receivables (refer to note 7)	16.1	9.0
Current tax payables	(160.1)	(140.8)
	(144.0)	**(131.8)**

(e) Deferred tax assets and liabilities

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

Goodman	Deferred tax assets		Deferred tax liabilities	
	2021 $M	2020 $M	2021 $M	2020 $M
Investment properties	–	–	(182.0)	(119.4)
Receivables	–	–	(9.3)	(3.4)
Tax losses	27.3	–	–	–
Payables	11.5	11.3	–	–
Provisions	4.4	10.1	–	–
Other items	1.5	–	(1.9)	(9.9)
Tax assets/(liabilities)	**44.7**	**21.4**	**(193.2)**	**(132.7)**
Set off of tax	(24.8)	(10.9)	24.8	10.9
Net tax assets/(liabilities)	**19.9**	**10.5**	**(168.4)**	**(121.8)**

Deferred tax assets of $323.3 million (2020: $219.9 million) arising primarily from tax losses and deductions associated with the LTIPs have not been recognised by Goodman.

GIT

At 30 June 2021, deferred tax liabilities of $124.0 million (2020: $82.3 million) have been recognised in relation to potential future distributions from Partnerships.

(f) Taxation of GIT

Under current Australian income tax legislation, the Trust is not liable for income tax, including capital gains tax, provided that Securityholders are presently entitled to the distributable income of the Trust as calculated for trust law purposes. The controlled entities of the Trust that operate in certain foreign jurisdictions are liable to pay tax in those jurisdictions.

Notes to the consolidated financial statements

Results for the year (continued)

OPERATING ASSETS AND LIABILITIES

The notes in this section focus on Goodman's property assets, working capital and goodwill and intangible assets.

6. Property assets

(a) Principles and policies

Investment in property assets includes both inventories and investment properties (including those under development), which may be held either directly or through investments in Partnerships (both associates and JVs).

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of the Group's business. Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Inventories are classified as non-current assets unless they are contracted to be sold within 12 months of the end of the reporting period, in which case they are classified as current assets.

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. Changes in the fair value of investment properties are recognised directly in the income statement.

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 assets and subsequent costs of development, including costs of all labour and materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development periods.

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.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classed as being under development and would be completed properties that are leased or are available for lease to customers.

For investment properties under development, the carrying values are reviewed by management at each reporting date to consider whether they reflect the fair value and at completion external valuations are obtained to determine the fair values.

For stabilised investment properties, independent valuations are obtained at least every three years to determine the fair values. At each reporting date between obtaining independent valuations, the carrying values are reviewed by management to ensure they reflect the fair values.

Deposits for investment properties

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

(b) Summary of investment in property assets

	Note	Goodman 2021 $M	Goodman 2020 $M	GIT 2021 $M	GIT 2020 $M
Inventories					
Current	6(d)	235.1	544.1	–	–
Non-current	6(d)	1,192.7	636.1	5.9	5.9
		1,427.8	**1,180.2**	**5.9**	**5.9**
Assets held for sale					
Investment property		41.5	–	–	–
Investment properties					
Stabilised investment properties		1,791.1	1,797.9	1,093.4	1,192.4
Investment properties under development		60.1	103.3	62.3	10.0
	6(e)	**1,851.2**	**1,901.2**	**1,155.7**	**1,202.4**
Investments accounted for using the equity method					
Associates	6(f)(i)	6,302.6	5,617.2	5,292.9	4,761.4
JVs	6(f)(ii)	4,357.4	3,753.6	2,785.5	2,386.9
		10,660.0	**9,370.8**	**8,078.4**	**7,148.3**
Total property assets		**13,980.5**	**12,452.2**	**9,240.0**	**8,356.6**

(c) Estimates and assumptions in determining property carrying values

Inventories

For both inventories held directly and inventories held in Partnerships, external valuations are not performed but instead valuations are determined using the feasibility studies supporting the land and property developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market. If 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

The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in 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)
+ Categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

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

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
6 Property assets (continued)

Where a market segment is observed to be active, then external independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile (including changes in the creditworthiness of a significant customer that may have a material impact on the property valuation), 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

The investment market for industrial, logistics and warehousing properties has been strong during FY21. At 30 June 2021, the Board has been able to assess that all markets in which the Group operated were active and as a consequence no adjustments have been made to the carrying values of the Group's stabilised investment property portfolios on the basis of internally prepared discounted cash flow valuations.

The overall weighted average capitalisation rates for the divisional portfolios (including Partnerships) are as set out in the table below:

	Total portfolio weighted average capitalisation rate			
	Goodman		GIT	
Division	**2021 %**	2020 %	**2021 %**	2020 %
Australia and New Zealand	**4.4**	5.1	**4.4**	5.1
Asia	**4.4**	4.7	**3.9**	4.2
Continental Europe	**3.8**	4.9	**3.9**	5.0
United Kingdom	**4.1**	4.5	**–**	–
Americas	**4.0**	4.4	**4.0**	4.4

During the current financial year, the fair values of 59% (2020: 59%) of stabilised investment properties held directly by Goodman 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. The equivalent percentage for GIT was 78% (2020: 42%).

For investments in Partnerships, all properties that were stabilised investment properties throughout FY21 were valued by an independent valuer during the year.

Sensitivity analysis

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 note 1). The stabilised investment property valuations at 30 June 2021 are most sensitive to the following inputs:

+ Capitalisation rates
+ Market rents
+ Level of incentives provided to customers and/or the amount of vacant time on expiry of a lease.

The majority of directly held stabilised investment properties are in Australia and the average capitalisation rate and the range of market rents are summarised in the table below:

Valuation technique	Significant unobservable inputs	2021	2020
Income capitalisation	Range of net market rents (per square metre per annum)	$90 to $450	$44 to $320
	Capitalisation rate (weighted average)	4.4%	5.2%

The impacts on the Group's financial position that would arise from the changes in capitalisation rates, market rents and incentives/voids are set out in the table below. This illustrates the impacts on Goodman in respect of both the directly held stabilised investment properties and its share of those stabilised investment properties held by Partnerships.

	Goodman		GIT	
	Directly held properties $M	Partnerships[1] $M	Directly held properties $M	Partnerships[1] $M
Book value at 30 June 2021	1,791.1	11,316.8	1,093.4	7,091.4
Changes in capitalisation rates:				
Increase in cap rates +50bps	(170.8)	(1,195.8)	(107.6)	(759.9)
Increase in cap rates +25bps	(89.7)	(631.5)	(56.6)	(401.5)
Decrease in cap rates -25bps	99.7	711.6	63.2	452.9
Decrease in cap rates -50bps	211.2	1,519.7	134.1	967.9
Changes in market rents:				
Decrease in rents -10%	(86.3)	(510.4)	(50.1)	(319.4)
Decrease in rents -5%	(43.2)	(255.2)	(25.1)	(159.7)
Increase in rents +5%	43.2	255.5	25.1	159.7
Increase in rents +10%	86.3	510.4	50.1	319.4
Changes in voids/incentives[2]:				
Increase in voids/ incentives +3 months	(6.4)	(30.2)	(4.4)	(16.3)
Increase in voids/ incentives +6 months	(12.8)	(60.3)	(8.8)	(32.6)

1. Goodman's share of stabilised investment properties held by Partnerships.
2. On assumed lease expiries over the next 12 months.

Investment properties under development

External valuations are generally not performed for investment properties under development, 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 such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location, size and current status of the development and is generally in a market range of 10% to 15%; although for larger more complex projects that are at an early stage of the development, the profit and risk factor could be up to 25%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

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

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
6 Property assets (continued)

(d) Inventories

	Goodman		GIT	
	2021 $M	**2020 $M**	**2021 $M**	**2020 $M**
Current				
Land and development properties	235.1	544.1	–	–
	235.1	**544.1**	**–**	**–**
Non-current				
Land and development properties	1,192.7	636.1	5.9	5.9
	1,192.7	**636.1**	**5.9**	**5.9**

Goodman

During the current and prior financial years no impairment losses were recognised on land and development properties.

During the financial year, borrowing costs of $3.8 million (2020: $6.7 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

	Goodman		GIT	
	2021 $M	**2020 $M**	**2021 $M**	**2020 $M**
Carrying amount at the beginning of the year	1,901.2	1,897.1	1,202.4	1,158.6
Acquisitions	163.0	–	–	–
Capital expenditure	24.8	123.4	22.0	8.5
Carrying value of properties disposed	(127.8)	(165.2)	(128.9)	(1.0)
Transfers to assets held for sale	(41.5)	–	–	–
Transfers to inventories	(131.5)	–	–	–
Net gain from fair value adjustments	63.1	45.2	60.2	36.5
Effect of foreign currency translation	(0.1)	0.7	–	(0.2)
Carrying amount at the end of the year	**1,851.2**	**1,901.2**	**1,155.7**	**1,202.4**
Analysed by segment:				
Australia and New Zealand	1,687.3	1,894.0	1,155.7	1,202.4
Asia	137.7	–	–	–
United Kingdom	26.2	7.2	–	–
	1,851.2	**1,901.2**	**1,155.7**	**1,202.4**

Goodman

During the financial year, borrowing costs of $nil (2020: $1.8 million) previously capitalised into the carrying value of investment properties were expensed to the income statement on disposal of the investment properties.

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 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.

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Non-cancellable operating lease commitments receivable:				
Less than one year	80.7	85.8	45.8	47.0
One to two years	63.9	71.4	37.0	39.3
Two to three years	49.4	54.3	28.6	27.6
Three to four years	38.4	44.7	21.1	20.3
Four to five years	30.1	33.3	16.8	14.4
More than five years	120.4	190.3	36.9	29.1
	382.9	**479.8**	**186.2**	**177.7**

(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 Partnerships.

Associates

An associate is an entity in which Goodman 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, Goodman'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 Goodman is considered to have joint control for accounting purposes, whereby Goodman 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. Goodman's share of the JVs' net profit or loss is recognised in the consolidated income statement from the date the arrangement commences to the date the arrangement ceases. Movements in reserves are recognised directly in consolidated reserves.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
6 Property assets (continued)

(i) Investments in associates

Investments in Partnerships classified as associates are set out below:

		Goodman						GIT					
		Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
Name of associate	Country of establishment	2021 $M	2020 $M	2021 %	2020 %	2021 $M	2020 $M	2021 $M	2020 $M	2021 %	2020 %	2021 $M	2020 $M
Property investment													
Goodman Australia Industrial Partnership (GAIP)	Australia	**366.9**	201.8	**29.1**	28.8	**2,208.5**	1,729.8	**366.9**	201.8	**29.1**	28.8	**2,208.5**	1,729.8
Goodman Australia Partnership (GAP)	Australia	**192.1**	91.6	**19.9**	19.9	**850.9**	762.6	**192.1**	91.6	**19.9**	19.9	**850.9**	762.6
Goodman Property Trust (GMT)[1]	New Zealand	**126.7**	52.1	**22.4**	21.4	**633.4**	490.8	**–**	–	**–**	–	**–**	–
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	**137.3**	284.7	**20.3**	20.2	**1,522.5**	1,510.6	**137.3**	284.7	**20.3**	20.2	**1,522.5**	1,510.6
Goodman Japan Core Partnership (GJCP)[2]	Japan	**29.8**	32.5	**14.7**	15.5	**376.3**	365.0	**–**	–	**–**	–	**–**	–
Goodman European Partnership (GEP)	Luxembourg	**140.0**	83.2	**20.4**	20.4	**711.0**	758.4	**140.0**	83.2	**20.4**	20.4	**711.0**	758.4
		992.8	**745.9**			**6,302.6**	**5,617.2**	**836.3**	**661.3**			**5,292.9**	**4,761.4**

1. GMT is listed on the New Zealand Stock Exchange (NZX). The market value of Goodman's investment in GMT at 30 June 2021 using the quoted price on the last day of trading was $676.6 million (2020: $565.6 million).
2. Goodman's ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

The reconciliation of the carrying amount of investments in Partnerships classified as associates is set out as follows:

	Goodman		GIT	
Movement in carrying amount of investments in associates	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**
Carrying amount at the beginning of the year	5,617.2	4,856.0	4,761.4	4,120.4
Share of net results after tax (before fair value adjustments)	261.7	226.8	225.4	191.4
Share of fair value adjustments attributable to investment properties after tax	765.8	493.3	643.3	445.6
Share of fair value adjustments on derivative financial instruments	(34.7)	25.8	(32.4)	24.3
Share of net results	992.8	745.9	836.3	661.3
Share of movements in reserves	0.3	(1.8)	0.3	(1.8)
Acquisitions	287.2	272.6	211.6	187.9
Disposals	(3.9)	(6.8)	–	–
Capital return	(79.7)	(59.7)	(79.7)	(59.7)
Distributions received and receivable	(318.4)	(207.6)	(287.6)	(172.0)
Effect of foreign currency translation	(192.9)	18.6	(149.4)	25.3
Carrying amount at the end of the year	**6,302.6**	**5,617.2**	**5,292.9**	**4,761.4**

The table below includes further information regarding Partnerships classified as associates, held at the end of the financial year:

	GAIP		GAP		GMT		GHKLP		GJCP		GEP	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Summarised statement of financial position												
Total current assets	698.4	230.3	61.3	170.9	8.3	13.6	75.0	129.7	227.6	326.2	461.3	1,422.6
Total non-current assets	9,338.5	8,406.4	5,338.1	4,385.5	3,562.2	2,954.6	9,188.4	8,913.5	3,672.8	3,486.8	5.318.4	5,043.6
Total current liabilities	402.2	114.9	98.9	111.4	113.7	111.8	176.2	216.6	23.7	25.7	456.5	365.9
Total non-current liabilities	2,097.3	2,575.2	1,094.9	682.8	685.8	611.2	1,584.9	1,411.1	1,324.7	1,424.5	1,832.1	2,376.7
Net assets (100%)	**7,537.4**	**5,946.6**	**4,205.6**	**3,762.2**	**2,771.0**	**2,245.2**	**7,502.3**	**7,415.5**	**2,552.0**	**2,362.8**	**3,491.1**	**3,723.6**
Summarised statement of comprehensive income												
Revenue	418.1	428.0	256.2	258.7	109.4	139.0	270.9	294.5	189.8	265.4	440.8	357.4
Profit after tax and revaluations	1,263.1	730.5	964.6	460.1	590.2	243.0	677.1	1,409.9	189.5	191.8	744.4	404.0
Other comprehensive (loss)/income	–	–	–	–	–	–	1.5	(8.8)	–	–	–	–
Total comprehensive income (100%)	**1,263.1**	**730.5**	**964.6**	**460.1**	**590.2**	**243.0**	**678.6**	**1,401.1**	**189.5**	**191.8**	**744.4**	**404.0**
Goodman												
Consolidated ownership interest	29.1%	28.8%	19.9%	19.9%	22.4%	21.4%	20.3%	20.2%	14.7%	15.5%	20.4%	20.4%
Consolidated share of net assets	2,190.9	1,711.5	837.3	749.1	621.1	480.9	1,521.2	1,498.6	376.2	365.5	711.0	758.4
Other items, including capitalised costs	1.2	1.0	0.3	0.2	12.3	9.9	1.3	1.5	0.1	(0.5)	–	–
Distributions receivable[1]	16.4	17.3	13.3	13.3	–	–	–	10.5	–	–	–	–
Carrying amount of investment	**2,208.5**	**1,729.8**	**850.9**	**762.6**	**633.4**	**490.8**	**1,522.5**	**1,510.6**	**376.3**	**365.0**	**711.0**	**758.4**
Distributions received and receivable	**66.2**	**66.3**	**24.1**	**29.2**	**14.7**	**18.4**	**33.6**	**32.7**	**16.1**	**17.2**	**163.7**	**43.8**
GIT												
Consolidated ownership interest	29.1%	28.8%	19.9%	19.9%	–	–	20.3%	20.2%	–	–	20.4%	20.4%
Consolidated share of net assets	2,190.9	1,711.5	837.3	749.1	–	–	1,521.2	1,498.6	–	–	711.0	758.4
Other items, including capitalised costs	1.2	1.0	0.3	0.2	–	–	1.3	1.5	–	–	–	–
Distributions receivable[1]	16.4	17.3	13.3	13.3	–	–	–	10.5	–	–	–	–
Carrying amount of investment in associate	**2,208.5**	**1,729.8**	**850.9**	**762.6**	**–**	**–**	**1,522.5**	**1,510.6**	**–**	**–**	**711.0**	**758.4**
Distributions received and receivable	**66.2**	**66.3**	**24.1**	**29.2**	**–**	**–**	**33.6**	**32.7**	**–**	**–**	**163.7**	**43.8**

1. Distributions receivable related to distributions provided for but not paid by the Partnerships at 30 June 2021. This was applicable to trusts in Australia where unitholders were presently entitled to income at the end of the financial year.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
6 Property assets (continued)

(ii) Investments in JVs

A summary of the results and ownership interests of principal Partnerships classified as JVs is set out below:

		Goodman						GIT					
		Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
Name of JV	Country of establishment/ incorporation	2021 $M	2020 $M	2021 %	2020 %	2021 $M	2020 $M	2021 $M	2020 $M	2021 %	2020 %	2021 $M	2020 $M
Property investment													
KWASA Goodman Industrial Partnership (KGIP)	Australia	**47.6**	20.0	**40.0**	40.0	**228.3**	189.2	**47.6**	20.0	**40.0**	40.0	**228.3**	189.2
KWASA Goodman Germany (KGG)[1]	Luxembourg	**27.6**	13.0	**19.2**	20.5	**151.9**	137.4	**–**	–	**–**	–	**–**	–
Property development													
Goodman Japan Development Partnership (GJDP)	Japan	**40.3**	49.4	**50.0**	50.0	**76.1**	119.3	**–**	–	**–**	–	**–**	–
Property investment and development													
Goodman China Logistics Partnership (GCLP)	Cayman Islands	**65.2**	30.3	**20.0**	20.0	**832.7**	737.2	**–**	–	**–**	–	**–**	–
Goodman UK Partnership (GUKP)[2]	United Kingdom	**32.9**	14.8	**33.3**	33.3	**404.0**	277.0	**–**	–	**–**	–	**–**	–
Goodman North America Partnership (GNAP)	United States of America	**379.5**	127.7	**55.0**	55.0	**2,310.6**	1,988.5	**365.7**	123.1	**53.0**	53.0	**2,226.8**	1,916.4
Other JVs[3]		**123.0**	21.1			**353.8**	305.0	**124.2**	21.1			**330.4**	281.3
		716.1	**276.3**			**4,357.4**	**3,753.6**	**537.5**	**164.2**			**2,785.5**	**2,386.9**

1. The consolidated ownership interest in KGG reflected the weighted average ownership in the various property investment vehicles.
2. GUKP incorporated two separate investment vehicles in which the investment partners, including the Consolidated Entity, had the same ownership interests.
3. Other JVs included the Group's investment in Goodman Brazil Logistics Partnership. Additionally, the share of net results of other JVs for FY21 included $95.9 million (FY20: $nil) of valuation gains in respect of property development JVs in Australia.

The reconciliation of the carrying amount of investments in Partnerships classified as JVs is set out as follows:

	Goodman		GIT	
Movement in carrying amount of investments in JVs	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**
Carrying amount at the beginning of the year	3,753.6	3,596.4	2,386.9	2,280.6
Share of net results after tax (before fair value adjustments)	180.3	173.1	104.6	83.1
Share of fair value adjustments attributable to investment properties after tax[1]	530.0	112.8	428.8	90.4
Share of fair value adjustments on derivative financial instruments	5.8	(9.6)	4.1	(9.3)
Share of net results	716.1	276.3	537.5	164.2
Share of movements in reserves	2.9	(25.8)	–	–
Reclassification of loan to related party	–	(3.3)	–	–
Acquisitions	449.7	504.2	197.4	335.8
Disposals	(8.1)	(0.3)	(8.1)	–
Transfer to assets held for sale	–	(11.2)	–	–
Capital return	(176.6)	(368.6)	(86.4)	(355.2)
Distributions/dividends received and receivable	(218.0)	(252.8)	(85.0)	(62.3)
Effect of foreign currency translation	(162.2)	38.7	(156.8)	23.8
Carrying amount at the end of the year	**4,357.4**	**3,753.6**	**2,785.5**	**2,386.9**

1. The share of fair value adjustments attributable to investment properties after tax for FY21 included $95.9 million (FY20: $nil) of valuation gains in respect of properties under development that as at 30 June 2021 were subject to conditional contracts for disposal.
At 30 June 2021, the Group's share of carried forward valuation gains on development properties subject to conditional contracts for disposal, incorporating all valuation gains since the commencement of the development or the most recent redevelopment, was $95.9 million (FY20: nil).

The table below includes further information regarding principal Partnerships classified as JVs, held at the end of the financial year:

	KGIP		KGG		GJDP		GCLP		GUKP		GNAP	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Summarised statement of financial position												
Current assets												
Cash and cash equivalents	2.7	9.0	25.3	36.5	79.9	112.6	281.3	231.1	43.4	38.6	62.8	39.6
Other current assets	2.0	1.8	4.4	6.5	10.6	16.1	84.4	73.5	1,490.3	2.0	33.7	0.1
Total current assets	**4.7**	**10.8**	**29.7**	**43.0**	**90.5**	**128.7**	**365.7**	**304.6**	**1,533.7**	**40.6**	**96.5**	**39.7**
Total non-current assets	**851.8**	**718.4**	**1,441.9**	**1,215.1**	**254.2**	**378.5**	**5,537.5**	**4,741.5**	**–**	**813.4**	**4,846.1**	**4,291.7**
Current liabilities												
Other current liabilities	53.6	16.4	17.4	88.8	3.9	28.7	2,796.4	2,736.5	36.1	15.5	102.8	58.5
Total current liabilities	**53.6**	**16.4**	**17.4**	**88.8**	**3.9**	**28.7**	**2,796.4**	**2,736.5**	**36.1**	**15.5**	**102.8**	**58.5**
Non-current liabilities												
Financial liabilities	242.5	248.0	505.8	460.8	188.6	232.0	757.7	390.1	287.0	–	640.3	653.1
Other non-current liabilities	0.8	1.4	159.3	37.2	4.3	12.8	613.7	509.8	–	–	6.7	13.4
Total non-current liabilities	**243.3**	**249.4**	**665.1**	**498.0**	**192.9**	**244.8**	**1,371.4**	**899.9**	**287.0**	**–**	**647.0**	**666.5**
Net assets (100%)	**559.6**	**463.4**	**789.1**	**671.3**	**147.9**	**233.7**	**1,735.4**	**1,409.7**	**1,210.6**	**838.5**	**4,192.8**	**3,606.4**
Summarised statement of comprehensive income												
Revenue	43.6	43.4	62.9	100.0	492.5	519.6	193.6	193.3	28.5	17.0	181.7	170.1
Net finance (expense)/income	(3.8)	(7.6)	(8.3)	(5.6)	–	(0.8)	(19.2)	(22.4)	(3.7)	–	6.4	(18.0)
Income tax expense	–	–	(4.7)	(22.3)	(2.1)	(3.1)	(37.4)	(23.9)	–	–	(0.5)	(0.4)
Profit after tax and revaluations	118.9	50.0	189.7	80.2	80.6	98.8	326.2	151.4	98.7	44.5	690.0	301.6
Other comprehensive income	–	–	–	–	–	–	(12.8)	(129.0)	–	–	–	–
Total comprehensive income (100%)	**118.9**	**50.0**	**189.7**	**80.2**	**80.6**	**98.8**	**313.4**	**22.4**	**98.7**	**44.5**	**690.0**	**301.6**
Goodman												
Consolidated ownership interest	40.0%	40.0%	19.2%	20.5%	50.0%	50.0%	20.0%	20.0%	33.3%	33.3%	55.0%	55.0%
Consolidated share of net assets	223.8	185.4	151.9	137.4	74.0	116.9	347.1	282.0	403.5	279.5	2,306.0	1,983.5
Shareholder loan[1]	–	–	–	–	–	–	482.3	451.9	–	–	–	–
Other items, including capitalised costs	–	–	–	–	2.1	2.4	3.3	3.4	0.5	(2.5)	4.6	5.0
Distributions receivable	4.5	3.8	–	–	–	–	–	–	–	–	–	–
Carrying amount of investment	**228.3**	**189.2**	**151.9**	**137.4**	**76.1**	**119.3**	**832.7**	**737.2**	**404.0**	**277.0**	**2,310.6**	**1,988.5**
Distributions/dividends received and receivable	**8.4**	**7.1**	**15.9**	**20.4**	**102.5**	**163.7**	**6.1**	**3.1**	**4.6**	**–**	**57.8**	**53.6**
GIT												
Consolidated ownership interest	40.0%	40.0%	–	–	–	–	–	–	–	–	53.0%	53.0%
Consolidated share of net assets	223.8	185.4	–	–	–	–	–	–	–	–	2,222.2	1,911.4
Other items, including capitalised costs	–	–	–	–	–	–	–	–	–	–	4.6	5.0
Distributions receivable	4.5	3.8	–	–	–	–	–	–	–	–	–	–
Carrying amount of investment in JV	**228.3**	**189.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,226.8**	**1,916.4**
Distributions/dividends received and receivable	**8.4**	**7.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**55.7**	**51.6**

1. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest free, unsecured and have no fixed terms of repayment. The shareholder loans are not expected to be repaid within 12 months from the end of the reporting period and the Directors consider the loans to form part of Goodman's investment in GCLP.

With respect to Goodman's other JVs, the total profit after tax and revaluations was $332.4 million (2020: $92.9 million) and total other comprehensive loss was $12.8 million (2020: $nil). With respect to GIT's other JVs, the total profit after tax and revaluations was $341.2 million (2020: $107.5 million) and total other comprehensive income was $nil (2020: $nil).

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

7. Receivables

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

Receivables are derecognised when the contractual rights to the cash flows from the receivable expire or the Group 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.

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Current				
Trade receivables	16.4	15.6	0.1	2.7
Tax receivables	16.1	9.0	1.4	3.0
Other receivables	197.2	91.6	5.8	4.3
Amounts due from related parties[1]	101.6	132.4	0.1	0.3
Loans to related parties[1]	–	33.7	808.7	1,591.8
	331.3	**282.3**	**816.1**	**1,602.1**
Non-current				
Other receivables	7.1	8.1	–	–
Loans to related parties[1]	270.4	100.2	2,528.5	1,487.4
	277.5	**108.3**	**2,528.5**	**1,487.4**

1. Refer to note 24 for details of amounts due from and loans to related parties.

Goodman assessed the receivables balances at 30 June 2021 for expected credit losses (risk of non-payment). The level of provisioning was not significant in the context of the Group's financial position.

8. Contract balances

Contract assets primarily comprise amounts recoverable from fixed price development contracts (disclosed net of any payments received on account) and accrued performance fee income where the Group assesses that the income can be reliably measured.

Contract liabilities primarily comprise consideration received in advance of the completion of development contracts and rental guarantees.

The following table provides an analysis of receivables from contracts with customers (excluding rental income receivables), contract assets and contract liabilities at the reporting dates:

	Goodman	
	2021 $M	2020 $M
Current		
Receivables, which are included in trade receivables, other receivables and amounts due from related parties	143.6	146.1
Contract assets	80.9	25.7
Contract liabilities	5.0	12.3
Non-current		
Contract liabilities	1.0	1.5

Significant changes in the contract assets and the contract liabilities balances during the year are set out below:

	Goodman			
	2021		2020	
	Contract assets $M	Contract liabilities $M	Contract assets $M	Contract liabilities $M
Balance at the beginning of the year	25.7	13.8	308.1	9.0
Increase due to changes in the measure of progress during the year	237.5	–	531.3	–
Transfers from contract assets to receivables	(182.3)	–	(823.9)	(0.1)
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	(7.7)	–	(1.6)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	0.1	–	6.5
Effect of foreign currency translation	–	(0.2)	10.2	–
Balance at the end of the year	**80.9**	**6.0**	**25.7**	**13.8**
Current contract assets and liabilities	80.9	5.0	25.7	12.3
Non-current contract liabilities	–	1.0	–	1.5
	80.9	**6.0**	**25.7**	**13.8**

Transaction price allocated to the remaining contract obligations

The amount of the transaction price allocated to the remaining performance obligations under Goodman's existing contracts was $12.5 million (2020: $14.3 million). This amount represents revenue expected to be recognised in the future from ongoing management and fixed price development contracts with customers. Goodman will recognise the expected revenue in the future as the work is completed, which is expected to be within the next 12 months.

Details regarding Goodman's future rental income associated with existing lease agreements is included in note 6.

In addition, Goodman receives investment management, development management and property services fees under various contracts that it has with its Partnerships. These contracts are for varying lengths of time and are typically transacted on terms that are consistent with market practice. The revenues under these contracts are linked to the AUM, total development project costs or gross property income of Partnerships and are invoiced as the services are provided.

9. Assets held for sale

At 30 June 2021, assets held for sale amounting to $41.5 million comprised an investment property in Australia.

In the prior year, the Group together with GEP entered into an agreement with a third party in March 2020 to dispose a portfolio of property assets and the Group's operating platform in the Czech Republic, Hungary, Poland and Slovakia. The disposal was completed on 8 July 2020. At 30 June 2020, the directly held assets and liabilities to be disposed were presented as a disposal group held for sale and comprised the following assets and liabilities within the Continental Europe segment:

	Note	2020 $M
Cash	21(a)	10.9
Receivables		6.5
Inventories		89.0
Investments accounted for using the equity method	6f(ii)	11.2
Other assets		6.9
Payables[1]		(12.0)
Assets held for sale		**112.5**

1. Excludes $77.7 million payable to fellow controlled entities in Goodman Group as these amounts are eliminated on consolidation.

No impairment losses were recognised in the current and prior year in respect of the disposal group.

10. 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.

Trade and other payables are derecognised 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, there is a legal right to offset the amounts and an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Current				
Trade payables	73.1	74.8	7.1	0.8
Other payables and accruals	487.8	497.4	51.3	125.8
Contract liabilities	5.0	12.3	–	–
Loans from related parties[1]	–	–	549.2	528.7
	565.9	**584.5**	**607.6**	**655.3**
Non-current				
Other payables and accruals	124.5	83.9	3.7	0.2
Contract liabilities	1.0	1.5	–	–
Loans from related parties[1]	–	–	228.5	231.3
	125.5	**85.4**	**232.2**	**231.5**

1. Refer to note 24 for details of loans from related parties.

11. 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.

		Goodman		GIT	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Current					
Dividends/distributions to Securityholders	19	277.1	274.3	166.3	201.1
Other provisions		17.1	15.1	–	–
		294.2	**289.4**	**166.3**	**201.1**
Non-current					
Net defined benefit superannuation funds in the United Kingdom		22.0	24.8	–	–
Other provisions		1.7	4.2	–	–
		23.7	**29.0**	**–**	**–**

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

12. Property, plant and equipment

	2021 $M	2020 $M
Property, plant and equipment at cost	128.7	115.6
Accumulated amortisation	(74.1)	(64.7)
Property, plant and equipment at net book value[1]	**54.6**	**50.9**

1. Refer to note 13 for property, plant and equipment held as a lessee.

13. Leases

Goodman leases office buildings, motor vehicles and office equipment. Certain investment properties and developments classified as inventories are also built on land held under leasehold interests.

Goodman recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost plus any direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change arising from the reassessment of whether Goodman will be reasonably certain to exercise an extension or termination option.

The right of use assets in respect of office buildings, motor vehicles and office equipment are depreciated using the straight-line method over the period of the lease. Right of use assets that meet the definition of investment property are carried at fair value in accordance with note 6(a). Ground leases of development land that are classified as inventories are not depreciated but are assessed at each reporting date for impairments to ensure they are recorded at the lower of cost and net realisable value.

Information about leases for which Goodman is a lessee is detailed below:

	2021 $M	2020[1] $M
Right of use assets		
Inventories	359.2	122.9
Investment properties	340.3	273.6
Property, plant and equipment	39.6	37.1
	739.1	**433.6**
Lease liabilities		
Current	11.9	17.6
Non-current	82.1	29.2
	94.0	**46.8**

1. The comparative figures for inventories and investment properties have been updated to include right of use assets for which the lease payments have been made upfront.

The following were recognised during the year:

	2021 $M	2020 $M
Additions to right of use assets	402.9	47.9
Depreciation for right of use assets	15.1	17.1
Interest expense on lease liabilities	1.0	1.3
Cash outflows on lease liabilities	18.8	17.7

14. Goodwill and intangible assets

Goodman 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 fund and/or investment management activities are acquired 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. Management rights are not amortised as they are assumed to have an indefinite life given they are routinely renewed at minimal cost and on broadly similar terms.

Impairment

The carrying amounts of 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 Goodman's goodwill and intangible assets is set out by below:

	Goodman	
	2021 $M	2020 $M
Goodwill	715.2	735.1
Management rights	107.4	110.7
	822.6	**845.8**

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

	2021 $M	2020 $M
Goodwill		
Continental Europe	601.4	620.8
United Kingdom	90.5	88.4
Other	23.3	25.9
Subtotal – goodwill	**715.2**	**735.1**
Management rights		
Continental Europe	34.1	35.3
Other	73.3	75.4
Subtotal – management rights	**107.4**	**110.7**
Total	**822.6**	**845.8**

A reconciliation of the movement in the cost of goodwill and management rights during the financial year is set out below:

Cost	Balance at 30 June 2019 $M	Effect of foreign currency translation $M	Balance at 30 June 2020 $M	Effect of foreign currency translation $M	Balance at 30 June 2021 $M
Goodwill					
Continental Europe	623.6	5.0	628.6	(19.6)	609.0
United Kingdom	129.0	(1.1)	127.9	3.1	131.0
Other	33.4	0.3	33.7	(2.8)	30.9
Subtotal – goodwill	**786.0**	**4.2**	**790.2**	**(19.3)**	**770.9**
Management rights					
Continental Europe	35.0	0.3	35.3	(1.2)	34.1
Other	85.7	1.5	87.2	(2.5)	84.7
Subtotal – management rights	**120.7**	**1.8**	**122.5**	**(3.7)**	**118.8**
Total	**906.7**	**6.0**	**912.7**	**(23.0)**	**889.7**

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
14 Goodwill and intangible assets (continued)

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

Impairment losses	Balance at 30 June 2019 $M	Effect of foreign currency translation $M	Balance at 30 June 2020 $M	Effect of foreign currency translation $M	Balance at 30 June 2021 $M
Goodwill					
Continental Europe	7.7	0.1	7.8	(0.2)	7.6
United Kingdom	39.8	(0.3)	39.5	1.0	40.5
Other	7.7	0.1	7.8	(0.2)	7.6
Subtotal – goodwill	**55.2**	**(0.1)**	**55.1**	**0.6**	**55.7**
Other	11.5	0.3	11.8	(0.4)	11.4
Subtotal – management rights	**11.5**	**0.3**	**11.8**	**(0.4)**	**11.4**
Total	**66.7**	**0.2**	**66.9**	**0.2**	**67.1**

Impairments and reversals of impairments

There were no impairment losses or reversals of impairment losses during either the current or prior financial year.

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 projected cash flows generated from continuing operations. These cash flows are for a five-year period, with a year five terminal value calculated using a terminal growth rate and an appropriate discount rate for each division.

The key drivers of value in respect of the intangible assets are:

+ Development cash flows, which are impacted by development volumes and margins and whether the developments are undertaken directly by Goodman or directly by Partnerships or in joint venture with Partnerships
+ Management cash flows, which are driven by the level of AUM and net property income in Partnerships and, in the case of portfolio performance fee income, the long-term performance of the Partnerships.

The estimation of future cash flows requires assumptions to be made regarding uncertain future events. The cash flows do not assume a downturn in earnings that might arise in the event of a significant adverse change in market conditions for the Group. The cash flows also assume that Goodman's management contracts with Partnerships have an indefinite life. This is on the basis that in the past these contracts have been typically renewed at minimal cost and on broadly similar financial terms.

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.

Key assumptions

		Continental Europe	United Kingdom
Value in use (A$M)	**2021**	**2,344.9**	**161.1**
	2020	2,341.7	153.6
Pre-tax discount rate (per annum)	**2021**	**9.7%**	**9.6%**
	2020	9.4%	8.6%
Average annual development (million square metres)	**2021**	**0.60**	**0.16**
	2020	0.60	0.16
Average annual growth in assets under management (AUM)	**2021**	**8.0%**	**21.6%**
	2020	3.4%	28.9%

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

Value in use

The value in use for both Continental Europe and the United Kingdom are consistent with the prior years. The Group's strategy remains the same with assets focused on core infill locations.

Discount rates

The post-tax discount rates were 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 was included in each division's discount rate, reflecting the level of forecasting, size, country and financing risks for that division. The value in use was 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.

Developments

Demand for modern, well-located industrial product in both Continental Europe and the United Kingdom remains strong. Earnings forecasts for each division include projects which have not yet been contracted.

Continental Europe

The activities will be focused on core markets in western and southern Europe. The average annual development activity over the next five years is expected to be 0.6 million square metres and the estimated cash outflow from Goodman and Partnerships required to fund the assumed development pipeline across the forecast period is A$0.9 billion per annum.

United Kingdom

The activity will continue to be focused on the core markets close to London and along the M1 corridor. In the short term, developments will include a number of sites that have already been acquired. The division's development activity over the next five years is forecast to be 0.16 million square metres per annum, on average, which will be undertaken by GUKP, with Goodman earning development management fee income. The estimated cash outflow from Goodman and GUKP required to finance the assumed development pipeline across the forecast period is A$0.42 billion per annum.

Sources of funding for development activity

Capital inflows required to fund acquisitions and development activity in both divisions are assumed to arise from the following sources: equity investment directly into Partnerships (including distribution reinvestment plans) by Goodman and its investment partners (in some cases, the projections assume future equity investment will be greater than existing commitments); lending facilities advanced to Partnerships; debt capital markets; customer-funded turnkey developments; and proceeds from disposals of assets. It is not practicable to determine the percentage of the total which will flow from each source.

Funds available to Goodman and its investment partners 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.

AUM

For Continental Europe, the average annual increase in AUM of 8.0% (2020: 3.4%) over the forecast period is higher than the prior year forecasts following the disposal of assets in central and eastern Europe in FY21. The projected AUM assumes that most of the development over the forecast period is for Partnerships. For the purpose of the value in use assessments, capitalisation rates are expected to be stable over the period and no portfolio performance revenue is assumed.

For United Kingdom, the significant percentage growth in AUM over the period reflects the fact that GUKP is a relatively new Partnership, with AUM forecast to grow from £0.9 billion to approximately £2.3 billion. GUKP has secured a number of sites that will be developed over the next three years and underpin the projected growth. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

Assumptions impacting the terminal year

		Continental Europe	United Kingdom
Growth rate applied to future cash flows (per annum)	**2021**	**0.4%**	**1.5%**
	2020	0.6%	1.0%
Development in terminal year (million square metres)	**2021**	**0.60**	**0.19**
	2020	0.60	0.19
Development in terminal year (cost in A$B)	**2021**	**0.92**	**0.36**
	2020	0.96	0.36

Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five-year forecast. For both Continental Europe and United Kingdom, the growth rate was based on the consumer price indices.

The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within Partnerships. The cost of developments in Australian dollars has remained relatively stable.

Notes to the consolidated financial statements

CAPITAL MANAGEMENT

The notes in this section focus on Goodman's and GIT's financing activities, capital structure and management of the financial risks involved.

15. Net finance income/(expense)

Interest income and expense are recognised using the effective interest rate method.

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.

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Finance income				
Interest income from:				
– Related parties	8.1	1.3	69.1	123.2
– Other parties	2.3	11.9	1.4	9.9
Fair value adjustments on derivative financial instruments	83.9	–	104.0	–
Foreign exchange gains	–	–	3.4	–
	94.3	**13.2**	**177.9**	**133.1**
Finance expense				
Interest expense from third party loans, overdrafts and derivatives	(18.3)	(86.6)	(25.9)	(98.9)
Interest expense from related party loans	–	–	(11.7)	(9.5)
Other borrowing costs	(7.4)	(8.7)	(4.8)	(16.2)
Fair value adjustments on derivative financial instruments	–	(9.4)	–	(6.0)
Foreign exchange losses	(0.4)	(0.1)	–	(26.6)
Capitalised borrowing costs[1]	6.7	11.4	–	–
	(19.4)	**(93.4)**	**(42.4)**	**(157.2)**
Net finance (expense)/income	**74.9**	**(80.2)**	**135.5**	**(24.1)**

1. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 0.92% and 4.0% per annum (2020: 1.7% and 4.2% per annum).

16. Interest bearing liabilities

Interest bearing liabilities comprise bank loans, notes issued in the capital markets 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.

		Goodman		GIT	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Current					
Unsecured:					
– USD denominated notes		–	260.1	–	260.1
		–	**260.1**	**–**	**260.1**
Non-current					
Unsecured:					
– Bank loans	16(a)	–	50.0	–	50.0
– USD denominated notes	16(b)	1,133.8	1,659.2	1,133.8	1,659.2
– EUR denominated notes	16(c)	790.3	815.9	790.3	815.9
– Foreign private placement	16(d)	150.1	168.3	150.1	168.3
Borrowing costs		(13.9)	(15.0)	(11.4)	(14.0)
		2,060.3	**2,678.4**	**2,062.8**	**2,679.4**

(a) Bank loans, unsecured

As at 30 June 2021, Goodman and GIT had the following unsecured bank facilities.

	Goodman		GIT	
Facility maturity date	Facility limit $M	Amounts drawn $M	Facility limit $M	Amounts drawn $M
31 Dec 2023	50.0	–	50.0	–
31 Mar 2024	75.0	–	75.0	–
1 Jul 2024	50.0	–	50.0	–
31 Jul 2024	133.4	–	133.4	–
30 Sep 2024	50.0	–	50.0	–
30 Sep 2024	37.5	–	37.5	–
31 Dec 2024	118.5	–	118.5	–
31 Mar 2026	180.1	–	–	–
31 Mar 2026	96.1	–	–	–
30 Jun 2026	75.0	–	75.0	–
30 Sep 2026	180.1	–	–	–
Total as at 30 June 2021	**1,045.7**	**–**	**589.4**	**–**
Total as at 30 June 2020	1,120.9	50.0	609.4	50.0

The majority of the unsecured bank loans are multi-currency facilities.

Notes to the consolidated financial statements

Capital management (continued)
16 Interest bearing liabilities (continued)

(b) USD denominated notes

As at 30 June 2021, Goodman and GIT had notes on issue in the United States 144A/Reg S bond market as follows:

	Carrying amount		Face value		Coupon (fixed)
Notes maturity date	A$M	US$M	A$M	US$M	per annum
15 Mar 2028	700.3	525.0	700.3	525.0	3.700%
15 Oct 2037	433.5	325.0	433.5	325.0	4.500%
30 June 2021	**1,133.8**	**850.0**	**1,133.8**	**850.0**	
30 June 2020	1,919.3	1,322.4	1,892.3	1,303.8	

(c) EUR denominated notes

As at 30 June 2021, Goodman and GIT had A$790.3 million (2020: A$815.9 million) (€500.0 million) Reg S EUR denominated senior notes on issue. The notes have a fixed coupon of 1.375% per annum and mature on 27 September 2025.

(d) Foreign private placement

As at 30 June 2021, Goodman and GIT had A$150.1 million (2020: A$168.3 million) (¥12.5 billion) in a foreign private placement denominated in Japanese yen. The facility has a fixed coupon of 3.32% per annum payable semi-annually and expires on 3 April 2023.

(e) Finance facilities

	Goodman		GIT	
	Facilities available $M	Facilities utilised $M	Facilities available $M	Facilities utilised $M
Current				
30 June 2021				
Unsecured:				
– Bank loans	1,045.7	–	589.4	–
– USD denominated notes	1,133.8	1,133.8	1,133.8	1,133.8
– EUR denominated notes	790.3	790.3	790.3	790.3
– Foreign private placement	150.1	150.1	150.1	150.1
– Bank guarantees[1]	–	32.7	–	–
	3119.9	**2,106.9**	**2,663.6**	**2,074.2**
30 June 2020				
Unsecured:				
– Bank loans	1,120.9	50.0	609.4	50.0
– USD denominated notes[2]	1,892.3	1,892.3	1,892.3	1,892.3
– EUR denominated	815.9	815.9	815.9	815.9
– Foreign private placement	168.3	168.3	168.3	168.3
– Bank guarantees[1]	–	32.8	–	–
	3,997.4	**2,959.3**	**3,485.9**	**2,926.5**

1. Bank guarantees are drawn from facilities available under unsecured bank loans. The guarantees are not reflected as a liability in the statements of financial position.
2. Facilities available and facilities utilised in respect of the USD denominated notes represent the face value of the notes on issue and exclude the fair value adjustment of A$27.0 million that is being amortised over the period to maturity.

17. Other financial assets and liabilities

Other financial assets and liabilities primarily comprise derivative financial instruments that are recognised initially on the trade date at which Goodman and GIT become a party to the contractual provisions of the instrument.

Derivative financial instruments and hedging

Goodman and GIT use derivative financial instruments to hedge their economic exposure to foreign exchange and interest rate risks arising from operating, investing and financing activities. In accordance with the Group's Financial Risk Management policy, Goodman and GIT do not hold or issue derivative financial instruments for speculative trading purposes.

Goodman and GIT'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 Goodman and GIT's associates and JVs continue to designate derivative financial instruments as cash flow hedges for accounting purposes. Goodman's and GIT's share of the effective portion of changes in the fair value of derivative financial instruments 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

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Current				
Derivative financial instruments[1]	16.5	59.3	16.5	59.3
	16.5	**59.3**	**16.5**	**59.3**
Non-current				
Derivative financial instruments[1]	354.5	405.8	292.4	424.4
Investment in unlisted securities, at fair value	8.3	3.0	22.0	19.7
	362.8	**408.8**	**314.4**	**444.1**

1. Includes fair values of derivative financial instruments equating to $134.1 million (2020: $292.5 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Other financial liabilities

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Current				
Derivative financial instruments	1.9	50.4	1.9	50.4
	1.9	**50.4**	**1.9**	**50.4**
Non-current				
Derivative financial instruments[1]	211.5	331.0	124.6	302.6
	211.5	**331.0**	**124.6**	**302.6**

1. Includes fair values of derivative financial instruments equating to $62.3 million (2020: $194.0 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Notes to the consolidated financial statements

Capital management (continued)

18. Financial risk management

The Directors have ultimate responsibility for Goodman's financial risk management (FRM) processes and have established policies, documented in the FRM policy, to manage Goodman's exposure to financial risks and to utilise capital in an efficient manner.

Goodman's treasury function is responsible for monitoring the day to day compliance with the Group's FRM policies and prepares reports for consideration by management committees and the Board including:

+ Cash flow projections over a period of at least 12 months to assess the level of cash and undrawn facilities, and headline gearing at each month end
+ Debt maturity profile, to allow the Group to plan well in advance of maturing facilities
+ Interest rate hedge profile over the next 10 years, to allow the Group to manage the proportion of fixed and floating rate debt in accordance with its FRM policy
+ Capital hedge position (by currency) and profile of expiring currency derivatives, to allow the Group to manage its net investment hedging in accordance with its FRM policy.

Any significant investments or material changes to the finance facilities or FRM policies require approval by the Board.

Capital management

Goodman'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 and equity.

Goodman is able to alter the capital mix by issuing new Goodman debt and equity securities or hybrid securities, by reinstating the distribution reinvestment plan, by adjusting the timing of development and capital expenditure and by selling assets to reduce borrowings. Goodman also manages capital through its distribution policy in which distributions made to Securityholders are based on the Group's operating profit, subject to a minimum distribution equal to the taxable income of the Trust.

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 gain or loss that would be recognised from fluctuations in currency prices against the Australian dollar as a result of Goodman's net investment in foreign operations, future commercial transactions, and other foreign currency denominated assets and liabilities.

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

Goodman'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 (FEC).

The Group's hedge position is monitored on an ongoing basis and the Group will enter into new derivatives (including forward start contracts) and close out or enter into contra derivative contracts to manage the capital hedge position.

As at 30 June 2021, the principal that was used to hedge its exposures using derivatives and the weighted average exchange rates, by currency, are set out below:

Goodman

	2021			2020		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	NZD'M	AUD'M	AUD/NZD	NZD'M	AUD'M	AUD/NZD
AUD receivable/NZD payable	(600.0)	557.3	1.0771	(400.0)	368.3	1.0864
	HKD'M	AUD'M	AUD/HKD	HKD'M	AUD'M	AUD/HKD
AUD receivable/HKD payable	(7,490.0)	1,301.8	5.7659	(5,190.0)	908.6	5.7260
	EUR'M	AUD'M	AUD/EUR	EUR'M	AUD'M	AUD/EUR
AUD receivable/EUR payable	(675.0)	1,086.7	0.6214	(495.0)	803.0	0.6165
	GBP'M	AUD'M	AUD/GBP	GBP'M	AUD'M	AUD/GBP
AUD receivable/GBP payable	(330.3)	587.6	0.5635	(280.0)	496.6	0.5660
	USD'M	AUD'M	AUD/USD	USD'M	AUD'M	AUD/USD
AUD receivable/USD payable	(650.0)	894.7	0.7276	(450.0)	634.6	0.7141
	JPY'M	AUD'M	AUD/JPY	JPY'M	AUD'M	AUD/JPY
AUD receivable/JPY payable	(23,000.0)	297.2	77.5413	(21,000.0)	278.3	75.4695
	CNY'M	USD'M	USD/CNY	CNY'M	USD'M	USD/CNY
USD receivable/CNY payable	(4,545.2)	600.0	7.5753	(3,823.9)	500.0	7.6477

GIT

	2021			2020		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	NZD'M	AUD'M	AUD/NZD	NZD'M	AUD'M	AUD/NZD
AUD receivable/NZD payable	(600.0)	557.3	1.0771	(400.0)	368.3	1.0864
	HKD'M	AUD'M	AUD/HKD	HKD'M	AUD'M	AUD/HKD
AUD receivable/HKD payable	(6,990.0)	1,217.8	5.7523	(5,190.0)	908.6	5.7260
	GBP'M	AUD'M	AUD/GBP	GBP'M	AUD'M	AUD/GBP
AUD receivable/GBP payable	(330.0)	587.6	0.5635	(280.0)	496.6	0.5660
	USD'M	AUD'M	AUD/USD	USD'M	AUD'M	AUD/USD
AUD receivable/USD payable	(200.0)	260.2	0.7688	(450.0)	634.6	0.7141
	JPY'M	AUD'M	AUD/JPY	JPY'M	AUD'M	AUD/JPY
AUD receivable/JPY payable	(17,000.0)	225.3	75.4506	(21,000.0)	278.3	75.4695

In addition to the derivatives detailed in the table above, GIT also has a FEC with a controlled entity of GL to hedge that entity's USD exposure. On maturity of the contract, GIT will receive USD 257.3 million from GL (2020: USD 81.8 million) and pay GBP 183.9 million to GL (2020: GBP 53.8 million).

Notes to the consolidated financial statements

Capital management (continued)
18 Financial risk management (continued)

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 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$72.9 million (2020: A$58.2 million decrease) for Goodman and A$28.6 million (2020: A$22.7 million) for GIT. If the Australian dollar had been 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$72.9 million (2020: A$58.2 million increase) for Goodman and A$28.6 million (2020: A$22.7 million) for GIT.

Interest rate risk

Goodman's interest rate risk arises from variable rate borrowings and the Group's CCIRS that hedge the overseas investments. Goodman adopts a policy of hedging such that between 60% and 100% of its current year exposure to changes in interest rates on borrowings is on a fixed rate basis. Goodman enters into interest rate derivatives (IRD), comprising both interest rate swaps and interest rate caps, to manage cash flow risks associated with the interest rates on borrowings that are floating. The IRD contracts are for 90 day intervals and involve quarterly payments or receipts of the net amount of interest.

As at 30 June 2021, Goodman and GIT's fixed and floating interest rate exposure (by principal) based on existing interest bearing liabilities and derivative financial instruments is set out below:

Goodman

	Interest bearing liabilities A$M	Impact of derivatives CCIRS A$M	Impact of derivatives IRD A$M	Net interest rate exposure A$M
30 June 2021				
Fixed rate liabilities	2,074.2	–	(101.4)	1,972.8
Floating rate liabilities	–	(123.6)	101.4	(22.2)
	2,074.2	**(123.6)**	**–**	**1,950.6**
30 June 2021				
Fixed rate liabilities	2,903.5	–	156.9	3,060.4
Floating rate liabilities	50.0	41.1	(156.9)	(65.8)
	2,953.5	**41.1**	**–**	**2,994.6**

GIT

	Interest bearing liabilities A$M	Impact of derivatives CCIRS A$M	Impact of derivatives IRD A$M	Net interest rate exposure A$M
30 June 2021				
Fixed rate liabilities	2,074.2	–	(575.6)	1,498.6
Floating rate liabilities	–	(71.6)	575.6	504.0
	2,074.2	**(71.6)**	**–**	**2,002.6**
30 June 2021				
Fixed rate liabilities	2,903.5	–	(169.4)	2,734.1
Floating rate liabilities	50.0	36.3	169.4	255.7
	2,953.5	**36.3**	**–**	**2,989.8**

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that existed at 30 June 2021, Goodman and GIT would have the following fixed interest rate exposure (by principal) at the end of each of the next five financial years. This assumes all interest bearing liabilities and derivative financial instruments mature in accordance with current contractual terms.

Goodman

	2021		2020	
Number of years post balance date	Fixed interest rate (by principal) A$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) A$M	Weighted average interest rate % per annum
1 year	1,951.0	2.15	2,962.1	3.02
2 years	2,075.2	2.12	2,730.9	2.51
3 years	2,176.4	1.97	2,777.1	2.04
4 years	1,900.8	2.29	2,977.2	1.91
5 years	1,065.2	3.36	2,694.0	2.13

GIT

	2021		2020	
Number of years post balance date	Fixed interest rate (by principal) A$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) A$M	Weighted average interest rate % per annum
1 year	1,476.9	2.99	2,601.7	3.52
2 years	1,601.0	2.89	2,241.4	3.16
3 years	1,767.9	2.54	2,287.6	2.58
4 years	1,742.8	2.53	2,555.4	2.30
5 years	907.1	4.00	2,530.8	2.29

Sensitivity analysis

Throughout the financial year, if interest rates on borrowings (based on the interest bearing liabilities and derivative financial instruments in place at the end of the year) had been 100 basis points higher/lower, with all other variables held constant, the profit attributable to Securityholders would have increased/decreased by A$0.2 million (2020: increased/decreased by A$0.7 million) for Goodman and decreased/increased by A$5.0 million (2020: decreased/increased by A$2.6 million) for GIT.

(b) Liquidity risk

Liquidity risk is the risk that Goodman will not be able to meet its financial obligations as they fall due. Goodman's objective is to maintain sufficient liquidity to fund short-term 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 or potential breaches of financial covenants in its loan arrangements. This allows Goodman 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 seeks to spread its debt maturities such that the total debt repayable in a single financial year does not exceed Board approved policy levels.

Notes to the consolidated financial statements

Capital management (continued)
18 Financial risk management (continued)

The contractual maturities of financial liabilities are set out below:

Goodman	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 2021								
Non-derivative financial liabilities								
Payables (excluding contract liabilities)	685.4	685.4	560.9	61.9	31.3	20.9	10.4	–
Lease liabilities	94.0	179.2	11.9	7.9	6.3	6.8	6.3	140.0
USD denominated notes, unsecured	1,133.8	1,625.3	45.4	45.4	45.4	45.4	45.4	1,398.3
EUR denominated notes, unsecured	790.3	836.5	10.9	10.9	10.9	10.9	792.9	–
Foreign private placement, unsecured	150.1	158.9	5.0	153.9	–	–	–	–
Total non-derivative financial liabilities	**2,853.6**	**3,485.3**	**634.1**	**280.0**	**93.9**	**84.0**	**855.0**	**1,538.3**
Derivative financial (assets)/liabilities – net								
Net settled[1]	(18.9)	(17.8)	(36.8)	0.8	10.2	16.9	(1.2)	(7.7)
Gross settled[2]								
(Inflow)	(138.7)	(570.0)	(82.9)	(78.0)	(176.1)	(77.1)	(75.7)	(80.2)
Outflow	–	371.2	57.5	87.3	72.1	29.8	62.5	62.0
Total derivative financial (assets)/liabilities – net	**(157.6)**	**(216.6)**	**(62.2)**	**10.1**	**(93.8)**	**(30.4)**	**(14.4)**	**(25.9)**
As at 30 June 2020								
Non-derivative financial liabilities								
Payables (excluding contract liabilities)	656.1	656.1	572.2	50.3	16.8	11.2	5.6	–
Lease liabilities	46.8	56.3	17.6	11.3	4.5	2.2	1.5	19.2
Bank loans, unsecured[3]	50.0	50.0	–	–	–	50.0	–	–
USD denominated notes, unsecured	1,919.3	2,554.1	362.5	472.5	49.4	49.4	49.4	1,570.9
EUR denominated notes, unsecured	815.9	883.1	19.7	11.2	11.2	11.2	11.2	818.6
Foreign private placement, unsecured	168.3	185.0	6.9	5.6	172.5	–	–	–
Total non-derivative financial liabilities	**3,656.4**	**4,384.6**	**978.9**	**550.9**	**254.4**	**124.0**	**67.7**	**2,408.7**
Derivative financial (assets)/liabilities – net								
Net settled[1]	(124.8)	(127.9)	(55.1)	(35.9)	(20.2)	(0.6)	3.2	(19.3)
Gross settled[2]								
(Inflow)	–	(495.7)	(72.0)	(93.9)	(74.3)	(152.2)	(34.2)	(69.1)
Outflow	41.0	521.2	74.4	82.9	99.1	133.5	27.9	103.5
Total derivative financial (assets)/liabilities – net	**(83.8)**	**(102.4)**	**(52.7)**	**(46.9)**	**4.6**	**(19.3)**	**(3.1)**	**15.1**

1. Net settled includes IRD and FEC.
2. Gross settled includes CCIRS.
3. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under Goodman's revolving loan facilities.

The contractual maturities of financial liabilities are set out below:

	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 year(s)	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
GIT	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
As at 30 June 2021								
Non-derivative financial liabilities								
Payables	839.8	839.8	607.6	–	95.9	9.2	123.3	3.8
USD denominated notes, unsecured	1,133.8	1,625.3	45.4	45.4	45.4	45.4	45.4	1,398.3
EUR denominated notes, unsecured	790.3	836.5	10.9	10.9	10.9	10.9	792.9	–
Foreign private placement, unsecured	150.1	158.9	5.0	153.9	–	–	–	–
Total non-derivative financial liabilities	**2,914.0**	**3,460.5**	**668.9**	**210.2**	**152.2**	**65.5**	**961.6**	**1,402.1**
Derivative financial (assets)/liabilities – net								
Net settled[1]	(98.3)	(91.3)	(37.0)	(28.2)	(12.5)	(6.6)	(0.8)	(6.2)
Gross settled[2]								
(Inflow)	(84.1)	(446.9)	(71.4)	(60.7)	(120.0)	(54.4)	(62.7)	(77.7)
Outflow	–	303.7	56.3	84.1	67.2	28.6	36.9	30.6
Total derivative financial (assets)/liabilities – net	**(182.4)**	**(234.5)**	**(52.1)**	**(4.8)**	**(65.3)**	**(32.4)**	**(26.6)**	**(53.3)**
As at 30 June 2020								
Non-derivative financial liabilities								
Payables	886.8	886.8	655.3	127.0	–	–	–	104.5
Bank loans, unsecured[3]	50.0	50.0	–	–	–	50.0	–	–
USD denominated notes, unsecured	1,919.3	2,554.1	362.5	472.5	49.4	49.4	49.4	1,570.9
EUR denominated notes, unsecured	815.9	883.1	19.7	11.2	11.2	11.2	11.2	818.6
Foreign private placement, unsecured	168.3	185.0	6.9	5.6	172.5	–	–	–
Total non-derivative financial liabilities	**3,840.3**	**4,559.0**	**1,044.4**	**616.3**	**233.1**	**110.6**	**60.6**	**2,494.0**
Derivative financial (assets)/liabilities – net								
Net settled[1]	(143.4)	(145.1)	(54.5)	(35.5)	(23.4)	(6.8)	(6.5)	(18.3)
Gross settled[2]								
(Inflow)	–	(444.2)	(65.2)	(85.8)	(64.8)	(140.7)	(22.4)	(65.4)
Outflow	12.7	466.4	74.4	82.9	99.1	133.5	27.9	48.7
Total derivative financial (assets)/liabilities – net	**(130.7)**	**(122.9)**	**(45.3)**	**(38.4)**	**10.9**	**(14.0)**	**(1.0)**	**(35.0)**

1. Net settled includes IRD and FEC.
2. Gross settled includes CCIRS.
3. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under Goodman's revolving loan facilities.

Notes to the consolidated financial statements

Capital management (continued)
18 Financial risk management (continued)

(c) Credit risk

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

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

Goodman has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. Goodman 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. Bank guarantees are accepted from financial institutions which have an investment grade credit rating from a major rating agency.

Concentration of credit risk may exist due to receivables in respect of the disposals of investment properties. The credit risk is minimised as legal title to the properties is only transferred upon receipt of proceeds 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.

In relation to material bank deposits, Goodman minimises credit risk by dealing with major financial institutions. The counterparty must have a long-term investment grade credit rating from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

The credit risks associated with derivative financial instruments are managed by:

+ Transacting with multiple derivatives counterparties that have a long-term investment grade credit rating
+ 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)
+ Formally reviewing the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting off or similar agreements

Goodman 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 Goodman 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$175.2 million (2020: A$294.7 million) and

A$112.9 million (2020: A$291.9 million) of financial assets and financial liabilities in relation to Goodman's and GIT's respective derivative financial instruments to be offset.

(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:

		Goodman				GIT			
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Note	2021 $M	2021 $M	2020 $M	2020 $M	2021 $M	2021 $M	2020 $M	2020 $M
Financial assets									
Cash and cash equivalents	21(a)	920.4	920.4	1,781.9	1,781.9	379.8	379.8	1,302.6	1,302.6
Receivables	7	608.8	608.8	390.6	390.6	3,344.6	3,344.6	3,089.5	3,089.5
Other financial assets:	17								
– IRD		114.3	114.3	160.3	160.3	111.9	111.9	158.3	158.3
– CCIRS		256.7	256.7	231.5	231.5	194.7	194.7	231.5	231.5
– FEC		–	–	73.3	73.3	2.3	2.3	93.9	93.9
– Investments in unlisted securities		8.3	8.3	3.0	3.0	22.0	22.0	19.7	19.7
		1,908.5	**1,908.5**	**2,640.6**	**2,640.6**	**4,055.3**	**4,055.3**	**4,895.5**	**4,895.5**
Financial liabilities									
Payables	10	685.4	685.4	656.1	656.1	839.8	839.8	886.8	886.8
Interest bearing liabilities[1]	16	2,060.3	2,236.3	2,938.5	3,083.1	2,062.8	2,236.3	2,939.5	3,083.1
Other financial liabilities:	17								
– IRD		15.9	15.9	35.5	35.5	15.9	15.9	35.5	35.5
– CCIRS		118.0	118.0	277.1	277.1	110.6	110.6	268.9	268.9
– FEC		79.5	79.5	68.8	68.8	–	–	48.6	48.6
		2,959.1	**3,135.1**	**3,976.0**	**4,120.6**	**3,029.1**	**3,202.6**	**4,179.3**	**4,322.9**

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2021.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method:

	Goodman				GIT			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 30 June 2020								
Derivative financial assets	–	371.0	–	371.0	–	308.9	–	308.9
Investment in unlisted securities	–	–	8.3	8.3	–	–	22.0	22.0
	–	**371.0**	**8.3**	**379.3**	**–**	**308.9**	**22.0**	**330.9**
Derivative financial liabilities	–	213.4	–	213.4	–	126.5	–	126.5
	–	**213.4**	**–**	**213.4**	**–**	**126.5**	**–**	**126.5**
As at 30 June 2020								
Derivative financial assets	–	465.1	–	465.1	–	483.7	–	483.7
Investment in unlisted securities	–	–	3.0	3.0	–	–	19.7	19.7
	–	**465.1**	**3.0**	**468.1**	**–**	**483.7**	**19.7**	**503.4**
Derivative financial liabilities	–	381.4	–	381.4	–	353.0	–	353.0
	–	**381.4**	**–**	**381.4**	**–**	**353.0**	**–**	**353.0**

There were no transfers between the levels during the year.

Notes to the consolidated financial statements

Capital management (continued)
18 Financial risk management (continued)

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

The Level 2 derivative financial instruments held by Goodman and GIT consist of IRD, CCIRS and FEC.

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.

19. Dividends and distributions

Dividends and distributions are recognised when they are declared and before deduction of any withholding tax. Any non-recoverable withholding tax is included in income tax.

Goodman

FY21 dividends/distributions

	Dividends/distributions cents per security	Total amount $M	Date of payment
GL	–	–	n/a
GIT			
– 31 Dec 2020	15.00	277.1	25 Feb 2021
– 30 Jun 2021	9.00	166.3	26 Aug 2021
GLHK	6.00	110.8	26 Aug 2021
	30.00	**554.2**	

FY20 dividends/distributions

	Dividends/distributions cents per security	Total amount $M	Date of payment
GL	–	–	n/a
GIT			
– 31 Dec 2019	15.00	274.3	25 Feb 2020
– 30 Jun 2020	11.00	201.1	28 Aug 2020
GLHK	4.00	73.1	28 Aug 2020
	30.00	**548.5**	

GIT

In FY21, GIT's distributions were 24.0 cents per security (2020: 26.0 cents per security) amounting to $443.4 million (2020: $475.4 million).

Movement in provision for dividends/distributions to Securityholders

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Balance at the beginning of the year	274.3	272.1	201.1	181.4
Provisions for dividends/distributions	554.2	548.5	443.4	475.4
Dividends/distributions paid	(551.4)	(546.3)	(478.2)	(455.7)
Balance at the end of the year	**277.1**	**274.3**	**166.3**	**201.1**

20. Issued capital

(a) Ordinary securities

Ordinary securities are classified as equity. Incremental costs directly attributable to issues of ordinary securities are recognised as a deduction from equity, net of any tax effects.

			Goodman		GIT	
	2021 Number of securities	2020 Number of securities	2021 $M	2020 $M	2021 $M	2020 $M
Stapled securities – issued and fully paid	1,847,429,255	1,828,413,236	8,257.3	8,192.2	7,997.7	7,772.0
Less: Accumulated issue costs			(160.9)	(160.5)	(148.7)	(148.5)
Total issued capital			**8,096.4**	**8,031.7**	**7,849.0**	**7,623.5**

Terms and conditions

Stapled security means one share in the Company stapled to one unit in the Trust 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 net proceeds of liquidation.

Movement in ordinary securities

Date	Details	Number of securities	Goodman $M	GIT $M
30 Jun 2019	Balance before accumulated issue costs	1,813,881,995	8,192.2	7,625.8
31 Aug 2019	Securities issued to employees under the LTIP	14,531,241	–	146.2
30 Jun 2020	Balance before accumulated issue costs	1,828,413,236	8,192.2	7,772.0
31 Aug 2020	Securities issued to employees under the LTIP	15,438,241	–	183.2
4 Sep 2020	Issue of securities	3,577,778	65.1	42.5
	Less: Accumulated issue costs		(160.9)	(148.7)
30 Jun 2021	**Closing balance**	**1,847,429,255**	**8,096.4**	**7,849.0**

(b) Share based payments

LTIP

The Group's share based payments primarily relate to performance rights awarded to employees under the LTIP. These performance rights entitle an employee to either acquire Goodman securities for $nil consideration (equity settled performance rights) or, in certain jurisdictions, to receive an amount in cash equal to the value of the securities (cash settled performance rights), 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.

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

	Number of rights 2021	Number of rights 2020
Outstanding at the beginning of the year	73,987,645	79,062,163
Granted	16,079,977	14,435,282
Exercised	(19,016,019)	(17,969,122)
Forfeited	(2,410,883)	(1,540,678)
Outstanding at the end of the year	**68,640,720**	**73,987,645**
Exercisable at the end of the year	**–**	**–**

Notes to the consolidated financial statements

Capital management (continued)
20 Issued capital (continued)

(b) Share based payments (cont)

Share based payments transactions

The fair value of equity settled performance rights at the grant date is expensed with a corresponding increase in the employee compensation reserve over the period from the grant date to the vesting dates. The expense 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 retained earnings.

The fair value of cash settled performance rights is also recognised as an expense but with a corresponding increase in liabilities over the vesting period. The expense 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 liability is remeasured at each reporting date and at the vesting date based on the fair value of the rights.

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 fair value of the performance rights granted during the year was measured as follows:

+ Operating EPS tranche: these rights were valued as a granted call option, using the standard Black Scholes model with a continuous dividend/distribution yield
+ Relative TSR tranche: these rights were 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.

The model inputs for performance rights, both equity and cash settled, awarded during the current financial year included the following:

	Rights issued on 19 Nov 2020	Rights issued on 30 Sep 2020
Fair value at measurement date ($)	16.07	15.77
Security price ($)	18.68	17.49
Exercise price ($)	–	–
Expected volatility (%)	28.08	27.21
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	1.61	1.67
Average risk free rate of interest per annum (%)	0.21	0.25

The amounts recognised as an expense are set out in note 2. At 30 June 2021, a liability of $158.0 million (2020: $91.0 million) was recognised in relation to cash settled performance rights.

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 is made from units held by Goodman or acquired on-market.

OTHER ITEMS

The notes in this section set out other information that is required to be disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

21. Notes to the cash flow statements

(a) Reconciliation of cash

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

		Goodman		GIT	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Bank balances		853.7	1,128.8	313.1	649.5
Call deposits		66.7	653.1	66.7	653.1
		920.4	**1,781.9**	**379.8**	**1,302.6**
Cash classified as assets held for sale	9	–	10.9		
		920.4	**1,792.8**	**379.8**	**1,302.6**

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

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Profit for the year	2,311.9	1,504.1	1,574.8	836.1
Items classified as investing activities				
Net gain on disposal of investment properties	(37.7)	(54.5)	(39.3)	(9.1)
Net gain on disposal of equity investments	(5.0)	(0.6)	(3.2)	(0.1)
Non-cash items				
Amortisation and depreciation	23.0	22.5	–	–
Share based payments expense	266.9	156.1	–	–
Net gain from fair value adjustments on investment properties	(63.1)	(45.2)	(60.2)	(36.5)
Reversal of previous impairments	–	–	(17.6)	–
Share of net results of equity accounted investments	(1,708.9)	(1,022.2)	(1,373.8)	(825.5)
Net finance expense/(income)	(74.9)	80.2	(135.5)	24.1
Income tax expense	108.1	113.0	49.5	11.1
	820.3	**753.4**	**(5.3)**	**0.1**
Changes in assets and liabilities during the year:				
– (Increase)/decrease in receivables	(146.7)	259.2	1.7	0.2
– (Increase)/decrease in inventories	(29.9)	(207.0)	–	0.6
– (Increase)/decrease in other assets	(6.0)	3.9	(2.2)	2.5
– Increase/(decrease) in payables	6.7	45.3	1.8	(0.4)
– (Decrease)/increase in provisions	(0.1)	4.8	–	–
	644.3	**859.6**	**(4.0)**	**3.0**
Distributions/dividends received from Partnerships	536.9	461.0	372.6	234.0
Net finance costs paid	(25.1)	(87.4)	(29.5)	(98.5)
Net income taxes (paid)/received	(41.4)	(76.3)	0.5	(3.2)
Net cash provided by operating activities	**1,114.7**	**1,156.9**	**339.6**	**135.3**

Notes to the consolidated financial statements

Other items (continued)
21 Notes to the cash flow statements (continued)

(c) Non-cash transactions

During the current and prior financial years, other than disclosed elsewhere in the consolidated financial statements, there were no significant non-cash transactions.

(d) Reconciliation of liabilities arising from financing activities

Goodman	Interest bearing liabilities $M	Derivative financial instruments $M	Provision for distributions $M	Lease liabilities $M	Total $M
Balance at 30 June 2019	**2,975.0**	**(90.5)**	**272.1**	**–**	**3,156.6**
Impact of adopting AASB 16 on 1 July 2019	–	–	–	75.4	**75.4**
Proceeds from borrowings	50.0	–	–	–	**50.0**
Payments on borrowings and derivative financial instruments	(117.1)	(0.9)	–	–	**(118.0)**
Payment of lease liabilities	–	–	–	(17.7)	**(17.7)**
Distributions paid	–	–	(546.3)	–	**(546.3)**
Total changes from financing cash flows	**(67.1)**	**(0.9)**	**(546.3)**	**(17.7)**	**(632.0)**
Effect of changes in foreign exchange rates	48.8	(1.8)	–	–	**47.0**
Changes in fair value	(18.2)	9.4	–	–	**(8.8)**
Other changes					
Interest expense on lease liabilities	–	–	–	1.3	**1.3**
Other movements	–	–	–	(12.2)	**(12.2)**
Distributions declared	–	–	548.5	–	**548.5**
Total other changes	**–**	**–**	**548.5**	**(10.9)**	**537.6**
Balance at 30 June 2020	**2,938.5**	**(83.7)**	**274.3**	**46.8**	**3,175.9**
Changes from financing cash flows					
Proceeds from borrowings and derivative financial instruments	200.0	4.6	–	–	**204.6**
Payments on borrowings and derivative financial instruments	(891.9)	–	–	–	**(891.9)**
Payment of lease liabilities	–	–	–	(17.8)	**(17.8)**
Distributions paid	–	–	(551.4)	–	**(551.4)**
Total changes from financing cash flows	**(691.9)**	**4.6**	**(551.4)**	**(17.8)**	**(1,256.5)**
Effect of changes in foreign exchange rates	(195.8)	5.4	–	–	**(190.4)**
Changes in fair value	(25.7)	(83.9)	–	–	**(109.6)**
Other changes					
New leases	–	–	–	64.2	**64.2**
Other borrowing costs	0.6	–	–	–	**0.6**
Interest expense on lease liabilities	–	–	–	0.8	**0.8**
Debt modification costs	34.6	–	–	–	**34.6**
Distributions declared	–	–	554.2	–	**554.2**
Total other changes	**35.2**	**–**	**554.2**	**65.0**	**654.4**
Balance at 30 June 2021	**2,060.3**	**(157.6)**	**277.1**	**94.0**	**2,273.8**

GIT	Interest bearing liabilities $M	Derivatives used for hedging $M	Provision for distributions $M	Loans with related parties, net $M	Total $M
Balance at 1 July 2019	**2,864.3**	**(133.4)**	**181.4**	**(2,569.2)**	**343.1**
Changes from financing cash flows					
Net cash flows from loans to related parties	–	–	–	511.7	**511.7**
Proceeds from borrowings	50.0	–	–	–	**50.0**
Payments on borrowings and derivative financial instruments	–	(0.9)	–	–	**(0.9)**
Distributions paid	–	–	(455.7)	–	**(455.7)**
Total changes from financing cash flows	**50.0**	**(0.9)**	**(455.7)**	**511.7**	**105.1**
Effect of changes in foreign exchange rates	41.3	(2.4)	–	18.3	**57.2**
Changes in fair value	(18.3)	6.0	–	–	**(12.3)**
Other changes					
Issue of units under the LTIP	–	–	–	(146.2)	**(146.2)**
Equity settled share based payments transactions	–	–	–	(13.6)	**(13.6)**
Interest income	–	–	–	(123.2)	**(123.2)**
Interest expense	–	–	–	9.5	**9.5**
Interest paid	–	–	–	(6.5)	**(6.5)**
Other borrowing costs	2.2	–	–	–	**2.2**
Distributions declared	–	–	475.4	–	**475.4**
Total other changes	**2.2**	**–**	**475.4**	**(280.0)**	**197.6**
Balance at 30 June 2020	**2,939.5**	**(130.7)**	**201.1**	**(2,319.2)**	**690.7**
Changes from financing cash flows					
Net cash flows from loans to related parties	–	–	–	25.1	**25.1**
Proceeds from borrowings and derivative financial instruments	200.0	46.8	–	–	**246.8**
Payments on borrowings and derivative financial instruments	(891.9)	–	–	–	**(891.9)**
Distributions paid	–	–	(478.2)	–	**(478.2)**
Total changes from financing cash flows	**(691.9)**	**46.8**	**(478.2)**	**25.1**	**(1,098.2)**
Effect of changes in foreign exchange rates	(195.4)	5.5	–	(4.0)	**(193.9)**
Changes in fair value	(25.8)	(104.0)	–	(0.2)	**(130.0)**
Other changes					
Issue of units under the LTIP	–	–	–	(183.2)	**(183.2)**
Equity settled share based payments transactions	–	–	–	(13.7)	**(13.7)**
Interest income	–	–	–	(69.1)	**(69.1)**
Interest expense	–	–	–	11.7	**11.7**
Interest paid	–	–	–	(6.9)	**(6.9)**
Other borrowing costs	2.1	–	–	–	**2.1**
Debt modification costs	34.3	–	–	–	**34.3**
Distributions declared	–	–	443.4	–	**443.4**
Total other changes	**36.4**	**–**	**443.4**	**(261.2)**	**218.6**
Balance at 30 June 2021	**2,062.8**	**(182.4)**	**166.3**	**(2,559.5)**	**(512.8)**

Notes to the consolidated financial statements

Other items (continued)

22. Equity attributable to Goodman Limited and non-controlling interests

Under Australian Accounting Standards, stapled entities are required to separately identify equity attributable to the parent entity from equity attributable to other entities stapled to the parent. The equity attributable to other entities stapled to the parent is presented as non-controlling interests in the statement of financial position of the Group. The tables below in notes 22(a) and 22(b) provide an analysis of equity, profit for the year and total comprehensive income for the year attributable to each of Goodman Limited and the other entities stapled to Goodman Limited (non-controlling interests).

(a) Equity attributable to Goodman Limited

	Attributable to Goodman Limited						
Goodman	Issued capital $M	Foreign currency translation reserve $M	Employee compensation reserve $M	Defined benefit retirement schemes reserve	Total reserves $M	Retained earnings $M	Total $M
Balance at 30 June 2019	**483.2**	**(2.7)**	**28.3**	**(23.3)**	**2.3**	**450.7**	**936.2**
Total comprehensive (loss)/income for the year							
Profit for the year	–	–	–	–	–	315.9	**315.9**
Other comprehensive (loss)/income							
Effect of foreign currency translation	–	(34.2)	–	–	(34.2)	–	**(34.2)**
Total comprehensive (loss)/income for the year, net of income tax	**–**	**(34.2)**	**–**	**–**	**(34.2)**	**315.9**	**281.7**
Transfers	–	–	(55.3)	–	(55.3)	55.3	**–**
Contributions by and distributions to owners							
Purchase of securities for the LTIP	–	–	(19.1)	–	(19.1)	–	**(19.1)**
Equity settled share based payments transactions	–	–	79.2	–	79.2	–	**79.2**
Balance at 30 June 2020	**483.2**	**(36.9)**	**33.1**	**(23.3)**	**(27.1)**	**821.9**	**1,278.0**
Total comprehensive (loss)/income for the year							
Profit for the year	–	–	–	–	–	300.2	**300.2**
Other comprehensive (loss)/income							
Effect of foreign currency translation	–	(28.6)	–	–	(28.6)	–	**(28.6)**
Total comprehensive (loss)/income for the year, net of income tax	**–**	**(28.6)**	**–**	**–**	**(28.6)**	**300.2**	**271.6**
Transfers	–	–	(68.4)	–	(68.4)	68.4	**–**
Contributions by and distributions to owners							
Purchase of securities for the LTIP	–	–	(22.4)	–	(22.4)	–	**(22.4)**
Issue of securities	11.4	–	–		–	–	**11.4**
Issue costs	(0.1)	–	–		–	–	**(0.1)**
Equity settled share based payments transactions	–	–	106.1	–	106.1	–	**106.1**
Deferred tax associated with the LTIP	–	–	8.1	–	8.1	–	**8.1**
Transfer to payables	–	–	(17.1)	–	(17.1)	–	**(17.1)**
Balance at 30 June 2021	**494.5**	**(65.5)**	**39.4**	**(23.3)**	**(49.4)**	**1,190.5**	**1,635.6**

(b) Equity attributable to other entities stapled to Goodman Limited (non-controlling interests)

	Attributable to other entities stapled to Goodman Limited (non-controlling interests)								
	Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Defined benefit retirement schemes reserve	Total reserves	Retained earnings	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Balance at 1 July 2019	**7,548.5**	**(7.1)**	**(3.3)**	**217.7**	**187.9**	**–**	**395.2**	**1,642.6**	**9,586.3**
Total comprehensive (loss)/income for the year									
Profit for the year	–	–	–	–	–	–	–	1,188.2	**1,188.2**
Other comprehensive (loss)/income									
Effect of foreign currency translation	–	(0.1)	(0.2)	7.8	–	0.2	7.7	–	**7.7**
Actuarial losses on defined benefit superannuation funds	–	–	–	–	–	(8.2)	(8.2)	–	**(8.2)**
Other changes	–	–	(1.7)	–	–	–	(1.7)	–	**(1.7)**
Total comprehensive (loss)/income for the year, net of income tax	**–**	**(0.1)**	**(1.9)**	**7.8**	**–**	**(8.0)**	**(2.2)**	**1,188.2**	**1,186.0**
Contributions by and distributions to owners									
Dividends/distributions on stapled securities	–	–	–	–	–	–	–	(548.5)	**(548.5)**
Equity settled share based payments transactions	–	–	–	–	18.8	–	18.8	–	**18.8**
Balance at 30 June 2020	**7,548.5**	**(7.2)**	**(5.2)**	**225.5**	**206.7**	**(8.0)**	**411.8**	**2,282.3**	**10,242.6**
Total comprehensive (loss)/income for the year									
Profit for the year	–	–	–	–	–	–	–	2,011.7	**2,011.7**
Other comprehensive income/(loss)									
Effect of foreign currency translation	–	0.2	0.5	(250.7)	–	(0.8)	(250.8)	–	**(250.8)**
Actuarial losses on defined benefit superannuation funds	–	–	–	–	–	(6.0)	(6.0)	–	**(6.0)**
Other changes	–	0.3	0.3	–	–	–	0.6	–	**0.6**
Total comprehensive income/(loss) for the year, net of income tax	**–**	**0.5**	**0.8**	**(250.7)**	**–**	**(6.8)**	**(256.2)**	**2,011.7**	**1,755.5**
Contributions by and distributions to owners									
Dividends/distributions on stapled securities	–	–	–	–	–	–	–	(554.2)	**(554.2)**
Issue of securities	53.7	–	–	–	–	–	–	–	**53.7**
Issue costs	(0.3)	–	–	–	–	–	–	–	**(0.3)**
Equity settled share based payments transactions	–	–	–	–	28.6	–	28.6	–	**28.6**
Balance at 30 June 2021	**7,601.9**	**(6.7)**	**(4.4)**	**(25.2)**	**235.3**	**(14.8)**	**184.2**	**3,739.8**	**11,525.9**

Notes to the consolidated financial statements

Other items (continued)

23. Controlled entities

Controlled entities are entities controlled by the Company. Under Australian Accounting Standards, the Company is identified as having acquired control over the assets of the Trust and GLHK. The consolidated financial statements incorporate the assets and liabilities of all controlled entities as at 30 June 2021 and the results of all such entities for the year ended 30 June 2021.

Where an entity either began or ceased to be controlled 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 the Company are set out below:

Significant controlled entities of Goodman Limited	Country of establishment/incorporation
Clayton 3 Trust	Australia
GA Industrial Portfolio Trust	Australia
GIT Investments Holding Trust No.3[1]	Australia
Goodman Australia Finance Pty Limited[1]	Australia
Goodman Capital Trust[1]	Australia
Goodman Europe Development Trust[1]	Australia
Goodman Finance Australia Trust[1]	Australia
Goodman Funds Management Australia Limited	Australia
Goodman Funds Management Limited	Australia
Goodman Industrial Funds Management Limited	Australia
Goodman Industrial Trust	Australia
Goodman Property Services (Aust) Pty Limited	Australia
Goodman Treasury Trust[1]	Australia
Homebush Subtrust[1]	Australia
Moorabbin Airport Corporation Pty Ltd	Australia
Goodman Belgium NV	Belgium
Goodman Management Services (Belgium) NV	Belgium
Goodman China Asset Management Limited	Cayman Islands
Goodman China Developments	Cayman Islands
Goodman Developments Asia	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
Goodman UK Investment (HK) Limited	Hong Kong
GPS Hong Kong Limited	Hong Kong
Goodman Italy S.R.L.	Italy

Significant controlled entities of Goodman Limited	Country of establishment/incorporation
Goodman Japan Funds Limited	Japan
Goodman Japan Limited	Japan
Goodman Finance (Jersey) Limited[1]	Jersey
GELF Management (Lux) Sàrl	Luxembourg
Goodman Artemis Logistics (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl[1]	Luxembourg
Goodman Finance Two (Lux) Sàrl[1]	Luxembourg
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Meadow Logistics (Lux) Sàrl	Luxembourg
Goodman Midnight Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited[1]	New Zealand
Goodman Investment Holdings (NZ) Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman Galaxy Holding BV	The Netherlands
Goodman Netherlands BV	The Netherlands
Goodman Real Estate (Spain) S.L.	Spain
Goodman Logistics Developments (UK) Limited	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman Real Estate (UK) Limited	United Kingdom
Goodman Development Management LLC	United States
Goodman Management USA Inc	United States
Goodman North America LLC	United States
Goodman North America Management LLC	United States
Goodman US Finance One, LLC[1]	United States
Goodman US Finance Two, LLC[1]	United States
Goodman US Finance Three, LLC[1]	United States
Goodman US Finance Four, LLC[1]	United States
Tarpon Properties REIT Inc[1]	United States

1. Significant controlled entities of Goodman Industrial Trust.

Notes to the consolidated financial statements

Other items (continued)

24. Related parties

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

Non-Executive Directors – GL and GFML
Stephen Johns
Ian Ferrier, AM (retired on 19 November 2020)
Christopher Green
Mark Johnson
Rebecca McGrath
Phillip Pryke
Penny Winn

Non-Executive Directors – GLHK
David Collins

Executive KMP
Gregory Goodman
Danny Peeters
Anthony Rozic
Nick Kurtis
Michael O'Sullivan
Nick Vrondas

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Goodman		Goodman Limited[1]	
	2021 $000	2020 $000	2021 $000	2020 $000
Short-term employee benefits	7,523.5	7,693.9	–	–
Post-employment benefits	225.4	211.8	–	–
Equity compensation benefits	33,385.0	27,760.3	–	–
Long-term employee benefits	3,813.8	3,787.7	–	–
	44,947.7	**39,453.7**	**–**	**–**

1. The remuneration is paid by wholly owned controlled entities of Goodman Limited.

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

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.

GreenPoint Real Estate Innovation and Technology Venture, LP

On 16 July 2020, GIT committed to investing USD15.0 million in GreenPoint Real Estate Innovation and Technology Venture, LP, a property technology fund that is a Delaware limited partnership, managed by Greenpoint Group LP, also a Delaware limited partnership. Greenpoint Group LP is beneficially owned and controlled by Christopher Green, a Director of Goodman Limited. As at 30 June 2021, GIT has invested USD3,826,595.

Transactions with associates and JVs

The transactions with 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 associates and JVs	
Goodman	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Associates	**163,046.2**	56,900.7	**712,234.5**	883,521.8	–	–
JVs	–	–	**442,607.0**	261,195.5	**8,131.9**	1,319.8
GIT						
Associates	**163,046.2**	–	**–**	–	**15.7**	–
JVs	–	–	**–**	–	**7,417.6**	–

In addition to the transactions included above, as at 30 June 2021, the Group had entered into conditional contractual arrangements to sell two properties to a Partnership for consideration of $109.7 million. As the conditions under the contracts had not been satisfied as at 30 June 2021, the disposal transactions were not reflected in the Group's FY21 results.

Amounts due from Partnerships at 30 June 2021 were as follows:

	Goodman				GIT			
	Amounts due from related parties[1]		Loans provided by Goodman[2]		Amounts due from related parties[1]		Loans provided by GIT[2]	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Associates								
GAIP	10,811.2	10,850.4	–	–	–	–	–	–
GAP	3,843.9	3,633.8	–	–	–	–	–	–
GMT	2,123.8	1,540.4	–	–	–	–	–	–
GHKLP	41,987.7	56,779.4	–	–	–	–	–	–
GJCP	3,017.4	5,352.0	–	–	–	–	–	–
GEP	8,454.0	16,526.1	–	3,616.0	–	–	–	–
	70,238.0	**94,682.1**	**–**	**3,616.0**	–	–	–	–
JVs								
GCLP	12,566.5	20,360.9	–	–	–	–	–	–
Other JVs	18,803.7	17,353.5	270,368.8	130,296.1	70.5	263.2	240,731.6	69,498.4
	31,370.2	**37,714.4**	**270,368.8**	**130,296.1**	**70.5**	**263.2**	**240,731.6**	**69,498.4**

1. Amounts due from related parties include contract assets arising from transactions with related parties.
2. Loans provided by Goodman and GIT to associates and JVs have been provided on an arm's length basis.

Transactions between GIT and other Goodman entities

The transactions with other Goodman entities during the financial year were as follows:

	GIT	
	2021 $000	2020 $000
Management income	2,384.0	2,379.0
Revenue from disposal of investment properties	8,073.0	–
Reimbursement of expenses	50,392.9	52,479.8
	60,849.9	**54,858.8**

In addition, interest bearing loans exist between GIT and other Goodman entities. At 30 June 2021, interest bearing loans of $3,096.5 million (2020: $3,008.0 million) were receivable by GIT from other Goodman entities and $777.7 million (2020: $760.0 million) was payable by GIT to other Goodman entities. Loans to related Goodman entities bear interest at rates referenced to GIT's external funding arrangements.

Notes to the consolidated financial statements

Other items (continued)

25. Commitments

Development activities

At 30 June 2021, Goodman was committed to expenditure in respect of $534.7 million (2020: $251.8 million) on inventories and other development activities. GIT has no such commitments (2020: $nil).

Investment properties

At 30 June 2021, Goodman had contracted to acquire an investment property for $67.7 million. In the prior year, Goodman had capital expenditure commitments of $32.2 million in respect of its existing investment property portfolio.

GIT has no such commitments (2020: $nil).

Partnerships

At 30 June 2021, Goodman had remaining equity commitments of $63.0 million (2020: $65.1 million) into GEP and $144.7 million (2020: $nil) into GAIP. These commitments also apply to GIT.

In relation to GEP, Goodman offers limited liquidity facilities to investors, which allow the investors to sell to Goodman some or all of their investment in GEP. Limits apply to these liquidity facilities and Goodman is only required to offer to purchase up to €50 million of the issued capital of GEP each half year subject to 1) a maximum of €50 million in any calendar year; and 2) a cumulative maximum of €150 million. Furthermore, Goodman is only required to purchase units where its co-investment in GEP is either below a prescribed limit or a maximum amount of liquidity has been provided. Currently, Goodman's interest in GEP is below the prescribed limit and the liquidity facility is open for investors. The commitment under the liquidity facility also applies to GIT.

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

+ $nil (2020: $23.8 million) into KGIP
+ $136.2 million (2020: $147.8 million) into KGG
+ $410.1 million (2020: 436.6 million) into GJDP
+ $808.0 million (2020: $853.8 million) into GCLP
+ $512.8 million (2020: $136.8 million) into GUKP
+ $2,156.2 million (2020: $2,546.8 million) into GNAP
+ $72.7 million (2020: $84.4 million) into Goodman Brazil Logistics Partnership.

26. Auditors' remuneration

	Goodman		GIT	
	2021 $000	2020 $000	2021 $000	2020 $000
Audit services				
Auditor of the Company:				
– Audit and review of financial reports (KPMG Australia)	1,161.9	1,043.8	691.9	624.5
– Audit and review of financial reports (overseas KPMG firms)	1,127.9	898.4	85.8	73.2
	2,289.8	**1,942.2**	**777.7**	**697.7**
Other services				
– Other regulatory services (KPMG Australia)	56.7	53.8	35.7	53.8
– Other advisory services (KPMG Australia)	–	80.7	–	–
– Other advisory services (overseas KPMG firms)	18.2	–	–	–
– Taxation compliance services (KPMG Australia)	100.0	123.4	91.7	96.3
– Taxation compliance services (overseas KPMG firms)	196.3	189.2	–	35.3
– Taxation advice (KPMG Australia)	23.0	190.8	–	–
– Taxation advice (overseas KPMG firms)	338.5	257.0	–	1.6
	732.7	**894.9**	**127.4**	**187.0**
Total paid/payable to KPMG	**3,022.5**	**2,837.1**	**905.1**	**884.7**
Other auditors				
– Audit and review of financial reports (non-KPMG firms)	**163.4**	**125.9**	**–**	**–**

27. Parent entity disclosures

As at, and throughout the financial year ended, 30 June 2021, the parent entities of Goodman and GIT were Goodman Limited and Goodman Industrial Trust respectively. The financial information for the parent entities is disclosed as follows:

	Goodman		GIT	
	2021 $M	2020 $M	2021 $M	2020 $M
Result of the parent entity				
Profit/(loss) for the year	63.0	(91.4)	140.0	322.0
Other comprehensive income for the year	–	–	–	–
Total comprehensive income/(loss) for the year	**63.0**	**(91.4)**	**140.0**	**322.0**
Financial position of the parent entity at year end				
Current assets	49.1	53.8	2,329.3	2,614.9
Total assets	1,591.9	1,570.7	7,424.8	7,314.9
Current liabilities	164.4	362.7	1,107.4	2,455.6
Total liabilities	1,163.7	1,272.2	2,666.1	2,537.9
Total equity of the parent entity comprising:				
Issued capital	852.5	792.0	7,849.0	7,623.5
Profits reserve	90.7	90.7	–	–
Employee compensation reserve	39.3	33.1	159.8	173.4
Accumulated losses	(554.3)	(617.3)	(3,250.1)	(3,019.9)
Total equity	**428.2**	**298.5**	**4,758.7**	**4,777.0**

Notes to the consolidated financial statements

Other items (continued)
27 Parent entity disclosures (continued)

The financial information for the parent entities of Goodman and GIT has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in controlled entities and Partnerships

Investments in controlled entities and Partnerships are accounted for at cost in the financial statements of Goodman Limited and Goodman Industrial Trust. Distributions/dividends received from Partnerships are recognised in the income statement, rather than being deducted from the carrying amount of these investments.

Tax consolidation

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

Financial guarantees

Where the parent entities have 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.

Parent entity capital commitments

At 30 June 2021, the parent entities had no capital commitments (2020: $nil).

Parent entity contingencies

Capitalisation Deed Poll

The Company, GFML, as responsible entity of the Trust, GLHK and certain of their wholly owned controlled entities are 'investors' under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of 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.

United States and Reg S senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to notes 16(b) and 16(c)), controlled entities of GIT had on issue USD and EUR notes amounting to US$850.0 million and €500.0 million respectively. GL, GFML, as responsible entity of the Trust, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

28. Events subsequent to balance date

Goodman and GIT

Other than as disclosed elsewhere in the consolidated financial report, there has not arisen in the interval between the end of the financial year and the date of this consolidated financial report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Goodman and GIT, the results of those operations, or the state of affairs of Goodman and GIT, in future financial years.

DIRECTORS' DECLARATION

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

(a) the consolidated financial statements and the notes of Goodman Limited and its controlled entities and Goodman Industrial Trust and its controlled entities set out on pages 68 to 128 and the remuneration report that is contained on pages 26 to 65 in the Directors' report, are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of Goodman's and GIT's financial position as at 30 June 2021 and of their performance for the financial year ended on that date
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001

(b) there are reasonable grounds to believe that the Company and the Trust will be able to pay their 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 2021.

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.

Stephen Johns
Independent Chairman

Gregory Goodman
Group Chief Executive Officer

Sydney, 12 August 2021

Independent Auditor's Report

To the stapled security holders of Goodman Group and the unitholders of Goodman Industrial Trust

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the ***Financial Report*** of Goodman Limited (the Company) as the deemed parent presenting the stapled security arrangement of the ***Goodman Group*** (the Goodman Group Financial Report).

We have also audited the ***Financial Statements*** of Goodman Industrial Trust (the Trust Financial Report).

In our opinion, each of the accompanying Goodman Group Financial Report and Trust Financial Report are in accordance with the *Corporations Act 2001*, including:

+ giving a true and fair view of the ***Goodman Group's*** and of the ***Trust's*** financial position as at 30 June 2021 and of their financial performance for the year ended on that date; and
+ complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The content of each of the Goodman Group and Trust ***Financial Report*** comprise:

+ Consolidated statement of financial position as at 30 June 2021;
+ Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for the year then ended;
+ Notes including a summary of significant accounting policies; and

  (collectively referred to as ***Financial Statements***)
+ Directors' Declaration.

The ***Goodman Group*** consists of Goodman Limited and the entities it controlled at the year-end or from time to time during the financial year, Goodman Industrial Trust (the ***Trust***) and the entities it controlled at the year-end or from time to time during the financial year and Goodman Logistics (HK) Limited and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Goodman Group, Goodman Limited, Goodman Funds Management Limited (the Responsible Entity of the Trust) and the Trust in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audits of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified for the Goodman Group are:

+ Recognition of development income;
+ Valuation of investment properties, investments accounted for using the equity method and inventories; and
+ Value of intangible assets.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Recognition of development income ($1,492.0m)

Refer to Note 2 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Development income was a key audit matter due to: + its significant value (39% of revenue and other income); + the high volume of transactions; and + the judgements applied by us to assess the Goodman Group's determination of revenue recognised during the period in relation to contracts which remain in progress at period end. Development income comprises income from disposal of inventories, other development income (including development management services) and income from fixed price construction contracts. Income from development management services is recognised progressively, requiring judgement by us when considering the Goodman Group's determination of the amount and extent of the services provided based on contract deliverables. Income from certain inventory disposals and fixed price construction contracts is recognised in proportion to the stage of completion of the relevant contracts. We focused on the stage of completion estimation which is based on costs incurred as a percentage of estimated total costs for each contract.	Our procedures included: + Selecting specific contracts from development income recognised (in relation to contracts that remain in progress at period end) based on quantitative and qualitative information (such as the size and complexity of the arrangement); and + Evaluating Goodman Group's recognition of development income against the criteria in the accounting standards. For the specific contracts selected, our procedures included: + Understanding the underlying contractual arrangements, in particular their unique terms; + Where recognition of development income is conditional upon certain events occurring, checking correspondence with external parties for evidence of achievement of conditions; + Assessing the Goodman Group's determination of revenue recognised during the period in accordance with the provision of services stipulated in the underlying contract or the stage of completion; + For revenue recognised based on the stage of completion, assessing a sample of costs incurred to date and total forecast costs against project feasibilities; and + Challenging the key assumptions included in the Goodman Group's project feasibilities by comparing to commentary published by industry experts, recent market transactions, and our knowledge of historical performance of the assets.

KPMG

Independent Auditor's Report

Valuation of investment properties ($1,851.2m), investments accounted for using the equity method ($10,660.0m) and inventories ($1,427.8m)

Refer to Note 6 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Goodman Group's investments in property assets include investment properties and inventories, which are held either directly or through its investments accounted for using the equity method. Investment properties are held at fair value and inventories are held at the lower of cost and net realisable value. The valuation of property assets are determined using internal methodologies or through the use of external valuation experts. The valuation of property assets is a key audit matter as they are significant in value (being 83% of total assets) and contain assumptions with estimation uncertainty. This leads to additional audit effort due to differing assumptions based on asset classes, geographies and characteristics of individual property assets. The valuation of property assets include a number of significant assumptions: + Investment properties: - capitalisation rates; - discount rates; - customer covenant strength; - market rental income; - weighted average lease expiry and vacancy levels; - projections of capital expenditure; and - lease incentive costs. + Inventories: - forecast capitalisation rates and market rental income; - land value per square metre; - letting up periods and lease incentive costs; and - development costs. In assessing this Key Audit Matter, we involved real estate valuation specialists, who understand the Group's investment profile, business and the economic environment it operates in.	Our procedures included: + Obtaining an understanding of the Goodman Group's process regarding the valuation of property assets; + Assessing the methodologies used in the valuations of property assets, for consistency with accounting standards, industry practice and the Goodman Group's policies; and + Working with real estate valuation specialists to read published reports and industry commentary to gain an understanding of prevailing property market conditions. For investment properties, taking into account asset classes, geographies and characteristics of individual investment properties: + Assessing the scope, competence and objectivity of external valuation experts and Goodman Group's internal valuers; + Challenging significant assumptions, with reference to published industry reports and commentary to gain an understanding of prevailing property market conditions; + With assistance of real estate valuation specialists, assessing a sample of significant assumptions including capitalisation rates, discount rates, customer covenant strength, market rental income, weighted average lease expiry and vacancy levels, projections of capital expenditure and lease incentive costs. We did this by comparing to market analysis published by industry experts, recent market transactions, inquiries with the Goodman Group, historical performance of the assets and using our industry experience; and + Assessing the disclosures in the financial report using our understanding obtained from our testing, against accounting standard requirements. For inventories: + Challenging the key assumptions included in the Goodman Group's internal recoverability assessments (project feasibilities) and valuations by comparing to commentary published by industry experts, recent market transactions, and our knowledge of historical performance of the assets.

KPMG

Value of intangible assets ($822.6m)

Refer to Note 14 to the Financial Report

The key audit matter	How the matter was addressed in our audit
At 30 June 2021 the Goodman Group's intangible assets comprised goodwill and management rights. The valuation of intangible assets was identified as a key audit matter as the Goodman Group's annual impairment assessment contains significant judgments involving forecasting and discounting future cash flows. The impairment assessment is based on the value in use model performed for each division of the Goodman Group. The value in use models incorporate significant judgment in respect of future conditions and we focussed on key assumptions such as: + forecast cash flows, growth rates and terminal growth rates, taking into consideration the level and margins from ongoing development activity and forecast funds management income (which is primarily dependent on assets under management). The Group's models are sensitive to small changes in these assumptions, which may reduce available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and + discount rates – these are complicated in nature and vary according to the conditions the division is subject to from time to time. We involved valuation specialists in assessing this Key Audit Matter.	Our procedures included: + Considering the appropriateness of the value in use method applied by the Goodman Group to perform the annual test of goodwill and management rights impairment, against the requirements of the accounting standards. + For divisions with significant intangible assets: - Working with our valuation specialists, comparing the discount rates and terminal growth rates used in the value in use models to publicly available data of comparable entities; - Assessing the ability of the Goodman Group to accurately forecast by comparing previous forecasts to actual results; - Comparing the division's forecast cash flows contained in the value in use models to Board approved forecasts; - Challenging the divisions forecast cash flows from development activity and funds management based on our understanding of local market conditions; and - Performing a sensitivity analysis on the discount rates, growth rates and forecast assets under management by applying a reasonably possible range of outcomes to focus our further procedures. + Assessing the disclosures in the financial report using our understanding from our testing and against the requirements of the accounting standards.

Independent Auditor's Report

Other Information

Other Information is financial and non-financial information in Goodman Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Company and the Directors of the Responsible Entity are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report (including the Remuneration Report). The Chairman's Letter, Group Chief Executive Officer's Report, Corporate Responsibility and Sustainability, Corporate Governance and Securities Information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Company and the Responsible Entity are responsible for:

+ preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
+ implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
+ assessing the Goodman Group and Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Goodman Group or the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

+ to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
+ to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf.
This description forms part of our Auditor's Report.

KPMG

REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of Goodman Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Goodman Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included on pages 26 to 65 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner
Sydney
12 August 2021

Appendix A – Goodman Logistics (HK) Limited and its subsidiaries

Consolidated financial statements for the year ended 30 June 2021

CONTENTS

Report of the Directors

The Directors have pleasure in submitting their annual financial report together with the audited financial statements of Goodman Logistics (HK) Limited (Company) and its subsidiaries (collectively referred to as the Consolidated Entity) for the year ended 30 June 2021 (FY21).

Incorporation and principal place of business

Goodman Logistics (HK) Limited was incorporated in Hong Kong on 18 January 2012 and has its principal place of business at Suite 901, Three Pacific Place, 1 Queen's Road East, Hong Kong.

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

Principal activities

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, investment management, property management services and development management. The principal activities and other particulars of the subsidiaries are set out in note 20 to the consolidated financial statements.

Financial statements

The financial performance of the Consolidated Entity for the year ended 30 June 2021 and the Consolidated Entity's financial position at that date are set out in the consolidated financial report on pages 148 to 187.

During the financial year, the Company declared a final dividend of 6.0 cents per share amounting to $110.8 million. The dividend is payable out of FY21 profit after tax. In the prior year, the Company declared a final dividend of 4.0 cents per share amounting to $73.1 million out of FY20 profit after tax.

Share capital

Details of the movements in share capital of the Company during FY21 are set out in note 16 to the consolidated financial statements.

Directors

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

+ Stephen Paul Johns (appointed 19 November 2020)
+ David Jeremy Collins
+ Gregory Leith Goodman[1] (alternate Director to Stephen Paul Johns)
+ Daniel Cornelius D. Peeters
+ Ian Douglas Ferrier, AM (retired 19 November 2020).

1. Alternate Director to Ian Douglas Ferrier until 19 November 2020.

Directors of subsidiaries

The names of Directors who have served on the Boards of the subsidiaries of the Company during FY21 are set out below:

Ai Ning Tan
Bart Manteleers
Béla Kakuk
Charles Crossland
Chi Wing Lin
Chun Kit Fung
David Anthony Hinchey
Dominique Prince
Edwin Chong Chee Wai
Francisco Palacio
Garcia Cuenca Ignacio
Gareth Owen
Godfrey Abel
Goh Hoi Lai
Hans Ongena
Henry Kelly
Hugh Baggie
Izak ten Hove
James Cornell
Jan Palek
Jason Harris
Jie Yang
John Conway
John Morton Dakin
Jorn Bruyninckx
Joseph Salvaggio
Karl Dockx
Kelly Moore
Kim Swee Seah
Kristoffer Allan Harvey
Lien Standaert
Luke Caffey
Nick Taunt
Mak Chun Kit Jacky
Marwan Bustani
Matthew Macdonald
Michael O'Sullivan
Michael Woodford
Nicholas Kurtis
Nigel Allsop
Paul Adams
Paul Heslop
Peter Ralston
Philippe Arfi
Philippe Van der Beken
Philip Turpin
Robert Nicholson
Robert Reed
Shiling Li
Stephen Young
Tai Yit Chan
Tan Ai Ning
Tang Chenying
Tim Cruypelans
Timothy Downes
Wai Ho Stephen Lee
Wang Chen
Xiaoyin Zhang

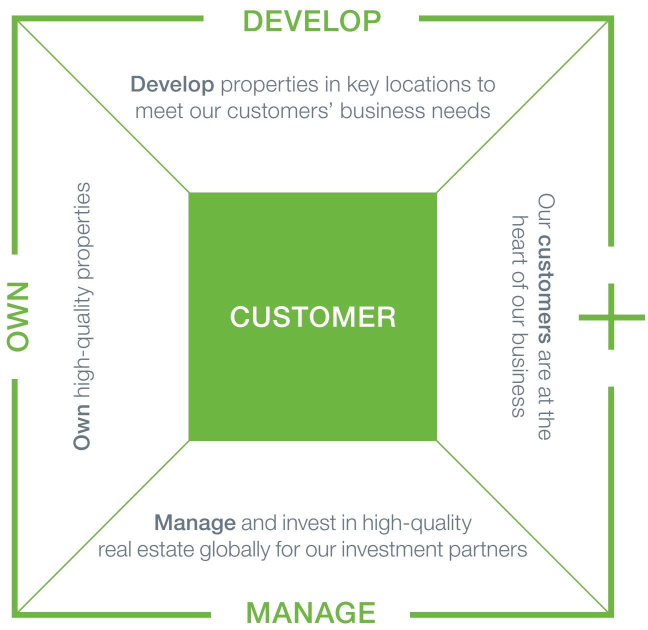
Report of the Directors
(continued)

BUSINESS REVIEW

State of affairs

There were no significant changes in the Consolidated Entity's state of affairs during the year.

Goodman Group's strategy



Goodman Group's purpose is to make space for its stakeholders' ambitions. This purpose is executed through Goodman Group's integrated business capabilities model – "own+develop+manage", where its customers' need for sustainable solutions and service excellence in high quality locations, is at the centre.

The business capabilities are supported by:

1. **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, investment partners, suppliers and employees.
2. **Quality product and service** – deliver high quality product and customer service in key logistics markets globally by actively leveraging Goodman Group's industrial sector expertise, development and management experience and global operating platform.
3. **Culture and brand** – promote Goodman Group's unique brand and embed Goodman Group's core values across each operating division to foster a strong and consistent culture. The core values are:
   + **Innovation** – New ideas push our business forward. We focus on the future, proactively looking for new opportunities and improved solutions for our stakeholders that will make the world a better place for all of us.
   + **Determination** – Determination gets things done. We are motivated by excellence and work hard to achieve it, actively pursuing the very best outcomes for our stakeholders.
   + **Integrity** – We have integrity, always. We work inclusively and transparently, balancing the needs of our business and our people, with the needs of the community and those we do business with.
   + **Sustainability** – We're building our business for the long term. That's why we consider the planet and all the people on it in everything we do. Our initiatives demonstrate our ongoing commitment to having a positive economic, environmental and social impact on the world.
4. **Operational efficiency** – optimise business resources to maximise effectiveness and drive efficiencies.
5. **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.

Performance review

The Consolidated Entity has operations in Asia, Continental Europe and the United Kingdom, and its earnings are derived from property investment, development and management activities.

The Consolidated Entity has been able to adapt to the challenges that FY21 has brought and has continued to grow the business sustainably for the long term.

The global pandemic has accelerated the changes in consumption trends that had already begun across the physical and digital spaces and this has increased demand for warehouse and logistics facilities. This has benefitted the Group's existing portfolios in FY21, which have reported growth in rental income and maintained high occupancy levels. It has also given the Group confidence to commence a number of new developments, particularly multi-storey and higher intensity buildings within its urban locations, and these developments are providing essential real estate infrastructure for the long-term requirements of those cities and the Group's customers.

This increase in development activity has been a key driver of the Consolidated Entity's operating performance for FY21, with operating profit increasing by 28.1% to $499.8 million, compared to $390.3 million for the prior year.

In assessing Goodman Group's underlying performance, the Directors consider operating earnings as well as Goodman Group's statutory profit. Operating earnings is a proxy for 'cash earnings' and is not an income measure under Hong Kong Financial Reporting Standards. It is defined as profit attributable to Shareholders adjusted for property valuations, impairment losses and other non-cash adjustments or non-recurring items.

	2021 $M	2020 $M
Analysis of operating profit		
Property investment earnings	46.1	54.2
Development earnings	528.0	356.6
Management earnings	146.3	219.1
	720.4	629.9
Operating expenses	(199.6)	(186.1)
	520.8	**443.8**
Net finance expense (operating)[1]	(8.8)	(13.3)
Income tax expense (operating)	(12.2)	(40.2)
Operating profit	**499.8**	**390.3**

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

Property investment activities

Property investment earnings in FY21 of $46.1 million were lower than the prior year and comprised 6% of the total earnings (2020: 8%).

	2021 $M	2020 $M
Net property income	13.4	16.6
Partnerships	32.7	37.6
Property investment earnings	**46.1**	**54.2**

Key metrics	**2021**	**2020**
Weighted average capitalisation rate (%)	4.9	5.2
Weighted average lease expiry (years)	3.8	4.0
Occupancy (%)	98.0	96.7

Property investment earnings comprise gross property income (excluding straight lining of rental income), less property expenses, plus the Consolidated Entity's share of the results of property investment joint ventures (referred to by the Consolidated Entity as Partnerships). The key drivers for maintaining or growing the Consolidated Entity's property investment earnings are increasing the level of assets under management (AUM) (subject also to the Consolidated Entity's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, and controlling operating and financing costs within Partnerships.

The Consolidated Entity's property portfolios are concentrated in large, urban centres where demand from customers has put pressure on land use and availability. As a consequence of the acceleration of consumer purchasing habits to online shopping, the Consolidated Entity has seen increased demand for space from customers in the food, consumer goods and logistics sectors, particularly related to e-commerce operators and those transitioning to online. At the same time, customers have continued to invest in order to improve the efficiency of their supply chains. In addition to storage and movements of goods, data centres have also emerged as a rapidly growing user of industrial property.

The Consolidated Entity's share of investment earnings from its cornerstone holdings in the Partnerships decreased by 13% to $32.7 million compared to the prior year. The lower earnings in Continental Europe as a result of disposals in FY20 was partly offset by the stabilisation of developments in Asia and the United Kingdom in FY20 and FY21.

During FY21, the Consolidated Entity's share of property valuations from the stabilised portfolios was $90.2 million. Valuation gains occurred in all regions and whilst the rental income growth and development completions were contributors to these uplifts, the primary driver was capitalisation rate compression. At 30 June 2021, the weighted average capitalisation rate for the Consolidated Entity's portfolios was 4.9%, compared to 5.2% at the start of FY21.

Report of the Directors

Business review (continued)

Development activities

In FY21, development earnings were $528.0 million, an increase of 48% on the prior year, and comprised 73% of total operating earnings (2020: 57%).

Development activity continued to be strong with work in progress of $5.8 billion across 37 projects at 30 June 2021. The increase in the Consolidated Entity's development earnings was primarily volume driven.

	2021 $M	2020 $M
Net development income	487.7	307.0
Partnerships	40.3	49.6
Development earnings	**528.0**	**356.6**

Key metrics:	**2021**	**2020**
Work in progress ($B)	5.8	3.1
Work in progress (million square metres)	2.0	1.2
Work in progress (number of developments)	37	21
Developments completed during the year (number of developments)	18	28

Development earnings consist of development income, plus the Consolidated Entity's share of the operating results of Partnerships that is allocable to development activities, plus net gains or losses from disposals of investment properties and equity investments that are allocable to development activities, plus interest income on loans to development joint ventures, less development expenses. Development income includes development management fees and also performance related revenues associated with managing individual development projects in Partnerships. The key drivers for the Consolidated Entity's development earnings are the level of development activity, land and construction prices, property valuations and the continued availability of third-party capital to fund development activity.

Most of the inventory disposals and fixed price contract income arose in Continental Europe, as Goodman Group's Partnerships in Continental Europe generally acquire completed developments from the Consolidated Entity. In the Consolidated Entity's other operating segments, development earnings are a mix of development management income, including performance related income, and transactional activity, including the Consolidated Entity's share of development profits reported by the Partnerships themselves. Consistent with the prior year, most of the development activity in FY21 was undertaken by or for the Partnerships and third parties.

Management activities

Management earnings in FY21 of $146.3 million decreased by 33% compared to the prior year and comprised 20% of total operating earnings (2020: 35%). This was due to lower performance fee revenue recognised in FY21 and the net adverse impact of the translation of the overseas earnings compared to the prior year. The reduction in performance related revenue was the result of the timing of calculation and recognition of fees.

	2021 $M	2020 $M
Management earnings	146.3	219.1

Key metrics:	**2021**	**2020**
Number of Partnerships	7	7
External AUM ($B)	23.0	21.5

Management earnings relate to the revenue from managing both the property portfolios and the capital invested in the Partnerships (management income). This includes performance related revenues but excludes earnings from managing development activities in the Partnerships, which are included in development earnings. 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 asset disposals and is also dependent on liquidity including the continued availability of third party capital to fund both development activity and acquisitions across the Consolidated Entity's Partnerships.

Other items

Operating expenses increased mainly due to remuneration costs as a result of modest inflation pressure and cash incentives paid as a result of the Consolidated Entity's overall performance. Borrowing costs have fallen as a result of lower interest rates on the Consolidated Entity's loans. The reduction in tax expense is primarily a function of changes to the origin and nature of revenue arising from management and development activities.

Statement of financial position

	2021 $M	2020 $M
Stabilised investment properties	163.9	7.2
Cornerstone investments in Partnerships	1,470.0	1,276.2
Development holdings	1,140.9	1,056.2
Cash	358.4	357.4
Other assets	1,233.0	942.0
Total assets	**4,366.2**	**3,639.0**
Loans from related parties	1,891.1	1,731.0
Other liabilities	705.2	493.3
Total liabilities	**2,596.3**	**2,224.3**
Non-controlling interests	22.2	20.0
Net assets attributable to Shareholders	**1,747.7**	**1,394.7**

The stabilised investment properties relate to new acquisitions in Asia and the United Kingdom.

The carrying value of cornerstone investments in Partnerships has increased by $193.8 million to $1,470.0 million, principally due to the net investment in the Partnerships and the valuation uplifts. A reconciliation of the current year movement in cornerstone investments in Partnerships is detailed in note 6(f) to the consolidated financial statements.

The increase in development holdings by $84.7 million to $1,140.9 million is primarily due to additional expenditure on development projects in Continental Europe, China and the United Kingdom during the year.

Other assets included receivables, fair values of derivative financial instruments that are in an asset position, contract assets, property, plant and equipment and tax assets (including deferred tax). Other liabilities included trade and other payables, the provision for dividends to Shareholders, fair values of derivative financial instruments that are in a liability position, employee benefits and tax liabilities (including deferred tax).

Cash flow

	2021 $M	2020 $M
Operating cash flows	473.6	376.3
Investing cash flows	(271.2)	(5.4)
Financing cash flows	(200.5)	(213.4)
Net increase in cash held	**1.9**	**157.5**
Effect of exchange rate fluctuations on cash held	(11.7)	(2.0)
Cash at the beginning of the year	368.2	212.7
Cash at the end of the year	**358.4**	**368.2**

The increase in the net operating cash flows compared to the prior year primarily relates to development activities. During the year, the Consolidated Entity disposed of developments in Continental Europe and the United Kingdom, however, this was partly offset by an increase in development cash outflows, with market conditions remaining strong in all regions.

The net investing cash outflow was due to the net investment in the Consolidated Entity's Partnerships, to fund acquisitions and new developments, plus the acquisitions of investment properties in Asia and the United Kingdom.

Financing cash flows principally relate to the net repayment of loans to related parties and payment of the dividend in August 2020.

Outlook

The Consolidated Entity has been able to adapt to the changes in the world to enable it to execute its strategy well and be in a strong position to continue to do so.

The Consolidated Entity's urban infill markets are experiencing significant demand as customers respond to consumer needs. The evolving consumption trends across the physical and digital space are fundamentally impacting the volume and changing the nature of demand from customers. As a consequence, development activity is expected to be a key contributor to the Group's performance, with the customer demand maintaining the high occupancy levels and the rental income growth across the Consolidated Entity's portfolios.

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

Report of the Directors

Risks

Goodman Group identifies strategic and operational risks for each of its regions 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 Goodman Group Board annually.

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

The Goodman Group Board has separate Board committees to review and assess key risks. The Risk and Compliance Committee reviews and monitors a range of material risks in Goodman Group's risk management systems including, among other risks, market, operational, sustainability, regulation and compliance and information technology. The Goodman Group Audit Committee reviews and monitors financial risk management and tax policies.

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

	Risk area	Mitigation
Capital management (debt, equity and cash flow)	Goodman Group could suffer an inability to deliver its strategy, or an acute liquidity or solvency crisis, financial loss or financial distress as a result of a failure in the design or execution of its capital management and financing strategy.	+ Low gearing, ample liquidity and appropriate hedging and duration to absorb market shocks + Appropriate hedging quantities and duration in accordance with Goodman Group's financial risk management policy + Diversification and tenure of debt funding sources and maturities + Capital partnering transfers risks into Partnerships + Diversification of investment partners + Change in distribution pay-out ratio consistent with contribution to increasing development workbook + Strong assets that can generate better rental outcomes + Long lease terms with prime customers + Key urban market strategy – urban, infill locations support re-usability of property + Adaptable and re-usable building design – ease to reconfigure for another customer.
Economic and geopolitical environment	Global economic conditions and government policies present both risks and opportunities in the property and financial markets and the business of our customers, which can impact the delivery of Goodman Group's strategy and its financial performance. A continued increase in geopolitical tension between countries could have potential consequences on our people, operations and capital partners.	+ Global diversification of Goodman Group's property portfolios + Focus on core property portfolios in key urban market locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks + Co-investment with local capital partners.
Governance, regulation and compliance	Non-compliance with legislation, regulators, or internal policies, or to understand and respond to changes in the political and regulatory environment (including taxation) could result in legal action, financial consequences and damage our standing and reputation with stakeholders.	+ Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Chief Risk Officer and Compliance Officer + Review of transactions by the Goodman Group Investment Committee.
People and culture	Failure to recruit, develop, support, and retain staff with the right skills and experience may result in significant underperformance or impact the effectiveness of operations and decision making, in turn impacting business performance. Maintaining an organisational culture, in a changing workplace environment, commensurate with Goodman Group's values.	+ Succession planning for senior executives + Competitive remuneration structures, including the Goodman Group Long Term Incentive Plan (LTIP) + Performance management and review + Goodman Group values program + Learning, development and engagement programs.

	Risk area	Mitigation
Development	Development risks may arise from location, site complexity, planning and permitting, infrastructure, size, duration along with general contractor capability.	+ Review of development projects by the Goodman Group Investment Committee + Goodman Group defined design specifications, which cover environmental, technological, and safety requirements, protecting against short-term obsolescence + Redevelopment of older assets to intensify use + Pre-selecting and engaging general contractors that are appropriately capitalised + Internal audit reviews + Insurance program, both Goodman Group and general contractor, including project specific insurance + Ongoing monitoring and reporting of WIP and levels of speculative development, with Goodman Group Board oversight including limits with respect to speculative development and higher development risk provisions.
Disruption, changes in demand and obsolescence	The longer-term risk that an inability to understand and respond effectively to changes in our competitive landscape and customer value chain could result in business model disruption and asset obsolescence, including the perception of obsolescence in the short term.	+ Key urban market strategy – urban, infill locations support re-usability of property + Adaptable and re-usable building design – ease to reconfigure for another customer + Geographic diversification + Capital partnering transfers risks into Partnerships + Insurance program (both Goodman Group's and key contractors), including project specific insurance covering design and defects + Long lease terms with prime customers.
Environmental sustainability and climate change	Failure to deliver on Goodman Group's sustainability leadership strategy and ambitions may lead to a negative impact on Goodman Group's reputation, ability to raise capital and a disruption to operations and stranded assets.	+ Corporate Responsibility and Sustainability policy + 2030 Sustainability Strategy including the assessment of individual assets to improve resilience and implementation of sustainability initiatives + Sustainability guidelines for development projects + Review and approval of acquisitions and development projects by the Goodman Group Investment Committee and relevant Partnership Investment Committee, including consideration of climate in due diligence and specification.
Asset and portfolio	Inability to execute asset planning and management strategies, including leasing risk exposures, can reduce returns from Goodman Group's portfolios.	+ Key urban market strategy – urban, infill locations where customer demand is strongest + Diversification of customer base and lease expiries + Review of significant leasing transactions and development projects by the Goodman Group Investment Committee + Capital expenditure programs keeping pace with property lifecycle.
Concentration of counterparties and markets	Over-exposure to specific areas, such as capital partners, supply chain, customers and markets, may limit growth and sustainability opportunities.	+ Diversification of customer base and lease expiries + Diversification of capital partners and Partnership expiries + Contractor pre-selection and tendering + Independence governance structure.
Information and data security	Maintaining security (including cyber security) of IT environment and data, ensuring continuity of IT infrastructure and applications to support sustainability and growth and prevent operational, regulatory, financial and reputational impacts.	+ Reporting of risks and management activity + Proactive monitoring, review and testing of infrastructure + Disaster recovery and business continuity planning and testing + Benchmarked strategy for delivery of security IT infrastructure and systems + Training and awareness program and other assurance activities for monitoring and improvement.
Infectious disease pandemic	There continues to be significant uncertainty associated with the COVID-19 pandemic, with mutations of the virus and significant outbreaks continuing to occur globally. While vaccine distribution is underway, there are challenges with production and supply. Also the success of the vaccine in enabling the world to stabilise and transition to a normal footing is still to be understood.	+ Protect and support our people + Global diversification of Goodman Group's property portfolios + Diversification of customer base + In-house property management team enabling flexibility to support and respond to customers + Capital model, strong balance sheet with adequate liquidity available.

Report of the Directors

Environmental regulations

The Consolidated Entity has policies and procedures to identify and appropriately address environmental obligations that might arise in respect of the Consolidated Entity's operations that are subject to significant environmental regulation under the laws of the countries the Consolidated Entity operates in. 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 of Directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout this year.

Directors' interests in contracts

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

Directors' interests in shares

At the end of the year, the Directors (including alternate Directors) held the following interests in the stapled securities of Goodman Group, which are listed on the ASX:

Directors	Direct securities	Indirect securities	Total
Stephen Paul Johns	–	41,143	41,143
David Jeremy Collins	5,000	–	5,000
Gregory Leith Goodman	458,207	38,029,673	38,487,880
Daniel Cornelius D. Peeters	–	1,633,131	1,633,131

In addition, Gregory Goodman and Daniel Peeters participate in the LTIP under which they hold performance rights. Performance rights entitle participants to receive Goodman Group stapled securities without the payment of consideration, subject to Goodman Group satisfying performance criteria and the participants remaining employees of Goodman Group.

Details of the awards of performance rights under the LTIP granted as compensation to the Directors (including alternate Directors) at 30 June 2021 are as follows:

	Number of performance rights at the start of the year	Number of performance rights granted during the year	Number of performance rights vested during the year	Number of performance rights forfeited during the year	Number of performance rights at the end of the year	Date performance rights granted	Financial years in which grant vests
Gregory Leith Goodman	–	950,000	–	–	950,000	19 Nov 20	2024 – 2026
	900,000	–	–	–	900,000	20 Nov 19	2023 – 2025
	1,600,000	–	–	–	1,600,000	15 Nov 18	2022 – 2024
	1,600,000	–	(533,333)	–	1,066,667	16 Nov 17	2021 – 2023
	1,600,000	–	(800,000)	–	800,000	30 Sep 16	2020 – 2022
	650,000	–	(650,000)	–	–	25 Nov 15	2019 – 2021
Daniel Cornelius D. Peeters	–	380,000		–	380,000	19 Nov 20	2024 – 2026
	350,000	–	–	–	350,000	20 Nov 19	2023 – 2025
	550,000	–	–	–	550,000	15 Nov 18	2022 – 2024
	550,000	–	(183,333)	–	366,667	16 Nov 17	2021 – 2023
	400,000	–	(200,000)	–	200,000	30 Sep 16	2020 – 2022
	146,250	–	(146,250)	–	–	25 Nov 15	2019 – 2021

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

Auditors

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

Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The Directors have been given declarations equivalent to those required of listed Australian companies by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2021.

By order of the Board of Directors

Stephen Paul Johns
Independent Chairman

David Jeremy Collins
Director

Sydney, 12 August 2021

KPMG

Independent auditor's report

To the members of Goodman Logistics (HK) Limited (Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Goodman Logistics (HK) Limited (the Company) and its subsidiaries (the Group) set out on pages 148 to 187, which comprise the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSAs) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The Directors are responsible for the other information which comprises all the information included in the Company's Report of the Directors.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

+ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
+ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
+ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
+ Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
+ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
+ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

12 August 2021

Consolidated statement of financial position

as at 30 June 2021

(expressed in Australian dollars)

	Note	2021 $M	2020 $M
Current assets			
Cash and cash equivalents	17(a)	358.4	357.4
Inventories	6(b)	106.4	405.1
Receivables	7	744.3	563.6
Contract assets	8	55.7	25.1
Current tax receivables	4(c)	4.2	0.8
Other assets		12.9	1.7
Assets held for sale	9	–	97.9
Total current assets		**1,281.9**	**1,451.6**
Non-current assets			
Inventories	6(b)	1,034.5	553.2
Investment properties	6(b)	163.9	7.2
Investments accounted for using the equity method	6(b)	1,470.0	1,276.2
Receivables	7	276.2	279.0
Other financial assets	13	102.6	36.4
Deferred tax assets	4(d)	15.2	6.3
Property, plant and equipment		17.1	23.8
Other assets		4.8	5.3
Total non-current assets		**3,084.3**	**2,187.4**
Total assets		**4,366.2**	**3,639.0**
Current liabilities			
Payables	10	263.0	200.5
Loans from related parties	21(c)	806.7	1,403.7
Current tax payables	4(c)	48.9	48.2
Employee benefits		45.1	39.4
Dividend payable	15	110.8	73.1
Total current liabilities		**1,274.5**	**1,764.9**
Non-current liabilities			
Payables	10	124.7	57.5
Loans from related parties	21(c)	1,084.4	327.3
Deferred tax liabilities	4(d)	1.6	0.9
Employee benefits		22.0	24.8
Other financial liabilities	13	89.1	48.9
Total non-current liabilities		**1,321.8**	**459.4**
Total liabilities		**2,596.3**	**2,224.3**
Net assets		**1,769.9**	**1,414.7**
Equity attributable to Shareholders			
Share capital	16(a)	791.9	732.0
Reserves	18	(629.0)	(624.5)
Retained earnings	19	1,584.8	1,287.2
Total equity attributable to Shareholders		**1,747.7**	**1,394.7**
Non-controlling interests		22.2	20.0
Total equity		**1,769.9**	**1,414.7**

The notes on pages 152 to 187 form part of these consolidated financial statements. Approved and authorised for issue by the Board of Directors on 12 August 2021.

Stephen Paul Johns
Director

David Jeremy Collins
Director

Consolidated statement of comprehensive income

for the year ended 30 June 2021

(expressed in Australian dollars)

	Note	2021 $M	2020 $M
Revenue			
Gross property income		15.6	21.5
Management income	2	188.7	276.5
Development income	2	1,171.7	653.6
Dividends from investments		0.8	–
		1,376.8	**951.6**
Property and development expenses			
Property expenses		(2.2)	(4.9)
Development expenses	2	(684.7)	(371.5)
		(686.9)	**(376.4)**
Other income			
Net loss from fair value adjustments on investment properties		–	(1.2)
Net (loss)/gain on disposal of investment properties		(1.9)	0.2
Share of net results of equity accounted investments	6(f)	164.7	107.0
Net gain on disposal of equity accounted investments		1.8	24.9
		164.6	**130.9**
Other expenses			
Employee expenses	2	(166.6)	(146.8)
Share based payments expense		(124.0)	(57.6)
Administrative and other expenses		(33.0)	(39.3)
Transaction management fees		(42.4)	(57.4)
		(366.0)	**(301.1)**
Profit before interest and income tax	2	**488.5**	**405.0**
Net finance income/(expense)			
Finance income	12	21.8	23.7
Finance expense	12	(82.9)	(58.8)
Net finance expense		**(61.1)**	**(35.1)**
Profit before income tax		**427.4**	**369.9**
Income tax expense	4	(12.2)	(40.2)
Profit for the year		**415.2**	**329.7**
Profit for the year attributable to:			
Shareholders	19	408.4	325.5
Non-controlling interests		6.8	4.2
Profit for the year		**415.2**	**329.7**
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Increase due to revaluation of other financial assets		7.6	5.5
Actuarial losses on defined benefit retirement schemes (net of tax)		(6.0)	–
		1.6	**5.5**
Item that may be reclassified subsequently to profit or loss:			
Effect of foreign currency translation		(21.5)	(14.6)
		(21.5)	**(14.6)**
Other comprehensive (loss)/income for the year, net of tax		**(19.9)**	**(9.1)**
Total comprehensive income for the year		**395.3**	**320.6**
Total comprehensive income for the year attributable to:			
Shareholders		389.0	316.2
Non-controlling interests		6.3	4.4
Total comprehensive income for the year		**395.3**	**320.6**

The notes on pages 152 to 187 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2021

Year ended 30 June 2020
(expressed in Australian dollars)

	Note	Share capital $M	Reserves $M	Retained earnings $M	Total $M	Non-controlling interests $M	Total equity $M
		Attributable to Shareholders					
Balance at 1 July 2019		**696.0**	**(447.4)**	**1,034.8**	**1,283.4**	**24.7**	**1,308.1**
Total comprehensive income for the year							
Profit for the year	19	–	–	325.5	**325.5**	4.2	**329.7**
Other comprehensive (loss)/income for the year		–	(9.3)	–	**(9.3)**	0.2	**(9.1)**
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(9.3)**	**325.5**	**316.2**	**4.4**	**320.6**
Contributions by and distributions to owners							
Dividend declared/paid	15	–	–	(73.1)	**(73.1)**	(9.8)	**(82.9)**
Issue of shares to employees of Goodman Group	16(a)	36.0	–	–	**36.0**	–	**36.0**
Equity settled share based payments transactions	18(c)	–	5.2	–	**5.2**	–	**5.2**
Actuarial losses on defined benefit retirement schemes, net of tax	18(d)	–	(8.2)	–	**(8.2)**	–	**(8.2)**
Acquisition of entities from Goodman Limited	18(e)	–	(164.8)	–	**(164.8)**	–	**(164.8)**
Acquisition of special purpose development entity with non-controlling interests		–	–	–	**–**	0.7	**0.7**
Balance at 30 June 2020		**732.0**	**(624.5)**	**1,287.2**	**1,394.7**	**20.0**	**1,414.7**

Year ended 30 June 2021
(expressed in Australian dollars)

	Note	Share capital $M	Reserves $M	Retained earnings $M	Total $M	Non-controlling interests $M	Total equity $M
		Attributable to Shareholders					
Balance at 1 July 2020		**732.0**	**(624.5)**	**1,287.2**	**1,394.7**	**20.0**	**1,414.7**
Total comprehensive income for the year							
Profit for the year	19	–	–	408.4	**408.4**	6.8	**415.2**
Other comprehensive (loss)/income for the year		–	(19.4)	–	**(19.4)**	(0.5)	**(19.9)**
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(19.4)**	**408.4**	**389.0**	**6.3**	**395.3**
Contributions by and distributions to owners							
Dividend declared/paid	15	–	–	(110.8)	**(110.8)**	(9.0)	**(119.8)**
Issue of shares to employees of Goodman Group	16(a)	48.6	–	–	**48.6**	–	**48.6**
Issue of ordinary shares	16(a)	11.3	–	–	**11.3**	–	**11.3**
Equity settled share based payments transactions	18(c)	–	14.9	–	**14.9**	–	**14.9**
Acquisition of special purpose development entity with non-controlling interests		–	–	–	**–**	4.9	**4.9**
Balance at 30 June 2021		**791.9**	**(629.0)**	**1,584.8**	**1,747.7**	**22.2**	**1,769.9**

The notes on pages 152 to 187 form part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 30 June 2021

(expressed in Australian dollars)

	Note	2021 $M	2020 $M
Cash flows from operating activities			
Property income received		14.7	20.2
Cash receipts from development activities		1,155.0	796.1
Other cash receipts from services provided		251.7	451.5
Property expenses paid		(2.0)	(4.8)
Payments for development activities		(821.6)	(513.8)
Other cash payments in the course of operations		(204.8)	(418.3)
Dividends/distributions received		81.7	77.6
Interest received		16.1	21.1
Finance costs paid		(1.0)	(0.9)
Net income taxes paid		(16.2)	(52.4)
Net cash provided by operating activities	17(b)	**473.6**	**376.3**
Cash flows from investing activities			
Proceeds from disposal of investment properties		5.4	4.8
Proceeds from disposal of controlled entities, net of cash disposed		–	95.6
Payments for investment properties		(173.0)	(97.1)
Capital return from equity accounted investments		139.8	109.2
Payments for equity investments		(243.1)	(155.7)
Payments for plant and equipment		(0.3)	(0.1)
Cash acquired on acquisition of subsidiaries		–	37.9
Net cash used in investing activities		**(271.2)**	**(5.4)**
Cash flows from financing activities			
Proceeds from issue of ordinary share		11.3	–
Net repayments of loans with related parties		(83.7)	(101.0)
Payments on derivative financial instruments		(42.2)	–
Dividends paid to Shareholders		(73.1)	(90.7)
Dividends paid to non-controlling interests		(9.0)	(9.8)
Payments of lease liabilities		(8.7)	(11.9)
Capital contributed by non-controlling interests		4.9	–
Net cash used in financing activities		**(200.5)**	**(213.4)**
Net increase in cash held		1.9	157.5
Cash and cash equivalents at the beginning of the year		368.2	212.7
Effect of exchange rate fluctuations on cash held		(11.7)	(2.0)
Cash and cash equivalents at the end of the year	17(a)	**358.4**	**368.2**

The notes on pages 152 to 187 form part of these consolidated financial statements.

Notes to the consolidated financial statements

(expressed in Australian dollars)

BASIS OF PREPARATION

1. Basis of preparation

(a) Statement of compliance

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

(b) Basis of preparation of the consolidated financial statements

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

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

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

Going concern

As at 30 June 2021, the Consolidated Entity had net current assets of $7.4 million.

Additionally, in accordance with the stapling agreement between the Company (GLHK), Goodman Limited (GL) and Goodman Funds Management Limited as responsible entity for Goodman Industrial Trust (GIT), on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

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

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

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

(c) Accounting for acquisitions of non-controlling interests

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

(d) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

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

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

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

(e) Changes in accounting policies

The AASB has issued new or amendments to standards that are first effective from 1 July 2020 but none of these have a material impact on the Consolidated Entity's financial statements.

(f) Accounting standards issued but not yet effective

The Consolidated Entity has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of the new accounting standards or interpretations is expected to have a significant impact on the future results of the Consolidated Entity.

(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 14 – Financial risk management.

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

Measurement of fair values

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

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

+ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
+ Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
+ 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
+ Note 14 – Financial risk management.

Notes to the consolidated financial statements

RESULTS FOR THE YEAR

2. Profit before interest and income tax

Gross property income

Gross property income comprises rental income under operating leases (net of incentives provided) and amounts billed to customers for outgoings (e.g. rates, levies, cleaning, security, etc.). Amounts billed to customers for outgoings are a cost recovery for the Consolidated Entity and are recognised once the expense has been incurred. The expense is included in property expenses.

Rental income under operating leases is 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 amortised on a straight-line basis over the life of the lease as a reduction of gross property income.

Management and development income

The revenue from management and development activities is measured based on the consideration specified in a contract with a customer. The Consolidated Entity recognises revenue when it transfers control over a product or service to a customer.

Management income

Fee income derived from management services relates to investment management base fees and property services fees and is recognised and invoiced progressively as the services are provided. Customers make payments usually either monthly or quarterly in arrears.

Performance related management income generally relates to portfolio performance fee income, which is recognised progressively as the services are provided but only when the income can be reliably measured and is highly probable of not being reversed. These portfolio performance fees are typically dependent on the overall returns of a Partnership relative to an agreed benchmark return, assessed over the life of the Partnership, which can vary from one year to seven years. The returns are impacted by operational factors such as the quality and location of the portfolio, active property management, rental income rates and development activity but can also be significantly affected by changes in global and local economic conditions. Accordingly, portfolio performance fee revenue is only recognised towards the end of the relevant assessment period, as prior to this revenue recognition is not considered to be sufficiently certain.

In determining the amount of revenue that can be reliably measured, management prepares a sensitivity analysis to understand the impact of changes in asset valuations on the potential performance fee at the assessment date. The assessment of revenue will depend on the prevailing market conditions at the reporting date relative to long-term averages and also the length of time until the assessment date e.g. the longer the time period to assessment date, the greater the impact of the sensitivity analysis. The potential portfolio performance fee revenue is then recognised based on the length of time from the start of the assessment period to the reporting date as a proportion of the total assessment period. Where the income is attributable to development activities or it relates to a combination of inextricable management and development activities that have occurred over the performance fee period, then it is reported as development income, otherwise the income is reported as management income. The Partnerships make payments in respect of portfolio performances fees at the end of the performance periods, once the attainment of the conditions has been verified and the amount of the fee has been agreed by all parties.

Development income – disposal of inventories

The disposal of inventories is recognised at the point in time when control over the property asset is transferred to the customer. This will generally occur on transfer of legal title and payment in full by the customer. 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 is included in profit or loss in the period of disposal.

Development income – development management services

Fee income from development management services (including master-planning, development management and overall project management) is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs. Payments are received in accordance with the achievement of agreed milestones over the development period. The development period can be up to 24 months for larger and more complex developments.

Performance related development income includes income associated with the returns from individual developments under the Consolidated Entity's management and performance fee income that relates to development activity. Income in respect of individual developments is recognised by the Consolidated Entity on attainment of the performance related conditions, which is when the income can be reliably measured and is highly probable of not being reversed. These amounts are paid by the Partnership when the amounts have been measured and agreed. Income associated with development activities as part of a portfolio assessment is recognised on the same basis as outlined above in the management income section.

Development income – fixed price development contracts

Certain development activities are assessed as being fixed price development contracts. This occurs when a signed contract exists, either prior to the commencement of or during the development phase, to acquire a development asset from the Consolidated Entity on completion. Revenue and expenses relating to these development contracts are recognised in profit or loss in proportion to the stage of completion of the relevant contracts by reference to costs. The payments may be on completion of the development once legal title has been transferred. The development period can be up to 24 months for larger and more complex developments.

Net (loss)/gain on disposal of investment properties

The disposal of an investment property is recognised at the point in time when control over the property has been transferred to the purchaser.

Employee benefits

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 reporting date, represent present obligations resulting from employees' services provided to the reporting date. These are calculated at undiscounted amounts based on rates that are expected to be paid as at the reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Bonuses

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.

Defined contribution retirement plans

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

Defined benefit retirement schemes

The net obligation in respect of defined benefit retirement schemes is recognised in the statement of financial position and is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit retirement schemes are recognised in the income statement.

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

	2021 $M	2020 $M
Management services	135.1	146.4
Performance related income	53.6	130.1
Management income	**188.7**	**276.5**
Income from disposal of inventories	809.8	451.6
Development income from fixed price development contracts	98.5	35.4
Other development income, including development management[1]	131.1	165.3
Net gain on disposal of assets previously classified as held for sale	132.3	–
Net gain on disposal of special purpose development entities	–	1.3
Development income	**1,171.7**	**653.6**
Inventory cost of sales	(619.4)	(318.8)
Other development expenses	(65.3)	(52.7)
Development expenses	**(684.7)**	**(371.5)**
Included in employee expenses are the following items:		
Salaries, wages and other benefits	(163.5)	(145.5)
Contributions to defined contribution retirement plans	(3.1)	(1.3)
Employee expenses	**(166.6)**	**(146.8)**
Depreciation of plant and equipment	(9.6)	(11.7)
Auditor's remuneration	(1.5)	(1.2)

1. Fee revenues from single contractual arrangements involving a combination of inextricable Investment Management and Development Management services and recognised over the life of the underlying developments projects are classified as development income for statutory reporting purposes. During the period, $75.2 million (2020: $nil) of such income was recognised.

Notes to the consolidated financial statements

Results for the year (continued)

3. 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.

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Asia (which consists of Greater China and Japan), Continental Europe and the United Kingdom.

The activities and services undertaken by the operating segments include:

+ Property investment, both through direct ownership and cornerstone investments in Partnerships
+ Management activities, both investment and property management
+ Development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for the Consolidated Entity's Partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment relate to the properties, which also includes the investments in Partnerships, and the trade and other receivables associated with the operating activities, but excludes receivables from GL, GIT and their controlled entities, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude payables to GL, GIT and their controlled entities, provision for dividends to Shareholders, income tax payables and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements for the Consolidated Entity.

For the purpose of operating segment reporting, there are no material intersegment revenues and costs.

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

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
Statement of comprehensive income	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**
External revenues								
Gross property income	6.2	1.8	8.4	10.5	1.0	9.2	15.6	21.5
Management income	77.8	186.4	106.7	88.0	4.2	2.1	188.7	276.5
Development income	129.9	160.1	796.5	476.2	245.3	17.3	1,171.7	653.6
Distributions from investments	0.8	–	–	–	–	–	0.8	–
Total external revenues	**214.7**	**348.3**	**911.6**	**574.7**	**250.5**	**28.6**	**1,376.8**	**951.6**
Analysis of external revenues: Revenues from contracts with customers								
Assets and services transferred at a point in time	10.3	15.3	729.9	467.0	228.8	3.7	969.0	486.0
Assets and services transferred over time	197.7	331.5	174.0	99.6	20.8	15.6	392.5	446.7
Other revenue								
Rental income (excludes outgoings recoveries)	5.9	1.5	7.7	8.1	0.9	9.3	14.5	18.9
Dividends from investments	0.8	–	–	–	–	–	0.8	–
Total external revenues	**214.7**	**348.3**	**911.6**	**574.7**	**250.5**	**28.6**	**1,376.8**	**951.6**
Reportable segment profit before income tax	**205.4**	**259.6**	**376.5**	**219.7**	**20.4**	**6.1**	**602.3**	**485.4**
Other key components of financial performance included in reportable segment profit before income tax								
Share of net results of equity accounted investments in Partnerships (before fair value adjustments)	60.4	68.8	6.5	13.3	6.1	4.9	73.0	87.0
Material non-cash items not included in reportable segment profit before income tax								
Share of fair value adjustments attributable to investment properties in Partnerships	44.2	8.2	19.2	1.7	26.8	10.1	90.2	20.0
Statement of financial position	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**
Reportable segment assets	**1,573.6**	**1,334.5**	**1,030.2**	**880.0**	**752.2**	**822.2**	**3,356.0**	**3,036.7**
Investments in Partnerships (included in reportable segment assets)	908.0	854.7	154.0	140.5	408.0	281.0	1,470.0	1,276.2
Total non-current assets	1,306.6	991.7	77.9.6	422.0	673.6	523.4	2,759.8	1,937.1
Reportable segment liabilities	**137.0**	**96.1**	**106.3**	**98.7**	**85.8**	**103.2**	**329.1**	**298.0**

Notes to the consolidated financial statements

Results for the year (continued)
3 Segment reporting (continued)

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

	2021 $M	2020 $M
Revenue		
Total revenue for reportable segments	1,376.8	951.6
Consolidated revenues	**1,376.8**	**951.6**
Profit or loss		
Total profit before income tax for reportable segments	**602.3**	**485.4**
Corporate expenses not allocated to reportable segments	(81.5)	(41.6)
	520.8	**443.8**
Valuation and other adjustments not included in reportable segment profit before income tax:		
– Net loss from fair value adjustments on investment properties	–	(1.2)
– Share of fair value adjustments attributable to investment properties in Partnerships	90.2	20.0
– Share of fair value adjustments on derivative financial instruments in Partnerships	1.5	–
– Share based payments expense	(124.0)	(57.6)
Net finance expense – refer to note 12	(61.1)	(35.1)
Consolidated profit before income tax	**427.4**	**369.9**
Assets		
Total assets for reportable segments	3,356.0	3,036.7
Other unallocated amounts[1]	1,010.2	602.3
Consolidated total assets	**4,366.2**	**3,639.0**
Liabilities		
Total liabilities for reportable segments	329.1	298.0
Other unallocated amounts[1]	2,267.2	1,926.3
Consolidated total liabilities	**2,596.3**	**2,224.3**

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

4. Income tax expense

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

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

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

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

(a) Taxation in the consolidated statement of comprehensive income

	2021 $M	2020 $M
Current tax expense – Hong Kong profits tax		
Current year	(15.1)	(41.4)
Adjustment for prior periods	1.6	1.2
	(13.5)	**(40.2)**
Current tax expense – overseas		
Current year	(9.2)	(34.8)
Adjustment for prior periods	5.7	2.0
	(3.5)	**(32.8)**
Deferred tax expense		
Origination and reversal of temporary differences	4.8	32.8
	4.8	**32.8**
Total income tax expense	**(12.2)**	**(40.2)**

The provision for Hong Kong profits tax for the year ended 30 June 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Notes to the consolidated financial statements

Results for the year (continued)
4 Income tax expense (continued)

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

	2021 $M	2020 $M
Profit before income tax	427.4	369.9
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(133.3)	(98.1)
(Increase)/decrease in income tax due to:		
– Current year losses for which no deferred tax asset was recognised	(15.3)	(9.4)
– Non-assessable income	172.8	104.5
– Non-deductible expense	(47.1)	(49.9)
– Utilisation of previously unrecognised tax losses	3.4	9.5
– Adjustment for prior periods	7.3	3.2
Income tax expense	**(12.2)**	**(40.2)**

(c) Net income tax payable

	2021 $M	2020 $M
Net balance at the beginning of the year	(47.4)	(27.1)
Decrease/(increase) in current net tax payable due to:		
– Net income taxes paid	16.2	52.4
– Net income tax expense on current year's profit	(24.3)	(76.2)
– Adjustment for prior periods	7.3	3.2
– Other	3.5	0.3
Net balance at the end of the year	**(44.7)**	**(47.4)**
Current tax receivables	4.2	0.8
Current tax payables	(48.9)	(48.2)
	(44.7)	**(47.4)**

(d) Deferred tax assets and liabilities

Deferred tax assets of $15.2 million (2020: $6.3 million) arising from employee benefits and deferred tax liabilities of $1.6 million (2020: $0.9 million) arising from other receivables were recognised in the consolidated statement of financial position.

Deferred tax assets of $236.6 million (2020: $71.8 million) arising primarily from tax losses have not been recognised by the Consolidated Entity.

5. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $329.9 million (2020: $395.0 million) which has been dealt with in the financial statements of the Company.

OPERATING ASSETS AND LIABILITIES

6. Property assets

(a) Types of property assets

Investment in property assets includes both inventories and investment properties (including those under development), which may be held either directly or through investments in Partnerships.

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of business. Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Inventories are classified as non-current assets unless they are contracted to be sold within 12 months of the end of the reporting period, in which case they are classified as current assets.

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. Changes in the fair value of investment properties are recognised directly in profit or loss.

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial statements.

Investment property carrying values include the costs of acquiring the assets and subsequent costs of development, including costs of all labour and materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development periods.

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.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classified as being under development and would be completed properties that are leased or are available for lease to customers.

For investment properties under development, the carrying values are reviewed by management at each reporting date to consider whether they reflect their fair values and at completion external valuations are obtained to determine the fair values.

For stabilised investment properties, independent valuations are obtained at least every three years to determine the fair values. At each reporting date between obtaining independent valuations, the carrying values are reviewed by management to ensure they reflect the fair values.

Deposits for investment properties

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

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

	Note	2021 $M	2020 $M
Directly held properties:			
Inventories			
Current	6(d)	106.4	405.1
Non-current	6(d)	1,034.5	553.2
		1,140.9	**958.3**
Investment properties			
Stabilised investment properties	6(e)	163.9	7.2
		163.9	**7.2**
Property held by Partnerships:			
Investments accounted for using the equity method – JVs	6(f)	1,470.0	1,276.2
		1,470.0	**1,276.2**

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
6 Property assets (continued)

(c) Estimates and assumptions in determining property carrying values

Inventories

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

Stabilised investment properties

The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in 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 the asset (city, suburb or regional area)
+ Carrying value of the asset (categorised by likely appeal to private (including syndicates), national and institutional investors)
+ Categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

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

Where a market segment is observed to be active, then external independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile (including changes in the creditworthiness of a significant customer that may have a material impact on the property valuation), 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, 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

The investment market for industrial, logistics and warehousing properties has been strong during FY21. At 30 June 2021, the Board has been able to assess that all markets in which the Consolidated Entity operated were active and as a consequence, no adjustments have been made to the carrying values of the Consolidated Entity's stabilised investment property portfolios on the basis of internally prepared discounted cash flow valuations.

The overall weighted average capitalisation rates for the divisional portfolios (including Partnerships) are set out in the table below:

	Total portfolio weighed average capitalisation rate	
	2021 %	**2020 %**
Asia	**5.4**	5.6
Continental Europe	**3.7**	4.3
United Kingdom	**4.1**	4.4

Sensitivity analysis

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 note 1(g)). The stabilised investment property valuations are most sensitive to the following inputs:

+ Capitalisation rates
+ Market rents
+ Level of incentives provided to customers and/or the amount of vacant time on expiry of a lease.

The impacts on the Consolidated Entity's financial position that would arise from the changes in the above assumptions are set out in the table below. This illustrates the impacts on the Consolidated Entity in respect of both the directly held stabilised investment properties and its share of those stabilised investment properties held by Partnerships.

	Directly held properties $M	Partnerships[1] $M
Book value at 30 June 2021	163.9	2,985.9
Changes in capitalisation rates:		
Increase in capitalisation rates +50bps	(17.3)	(312.6)
Increase in capitalisation rates +25bps	(9.1)	(165.1)
Decrease in capitalisation rates -25bps	10.3	186.2
Decrease in capitalisation rates -50bps	22.0	397.8
Changes in market rents:		
Decrease in rents -5%	(5.0)	(132.3)
Decrease in rents -2.5%	(2.5)	(66.1)
Increase in rents +2.5%	2.5	66.1
Increase in rents +5%	5.0	132.3
Changes in voids/incentives:[2]		
Increase in voids/incentives +3 months	(1.0)	(10.2)
Increase in voids/incentives +6 months	(2.0)	(20.5)

1. Reflects the Consolidated Entity's share in Partnerships.
2. On assumed lease expiries over the next 12 months.

Investment properties under development

External valuations are generally not performed for investment properties under development, 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 such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location, size and current status of the development and is generally in a market range of 10% to 15%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

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

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
6 Property assets (continued)

(d) Inventories

	2021 $M	2020 $M
Current		
Land and development properties	106.4	405.1
	106.4	**405.1**
Non-current		
Land and development properties	1,034.5	553.2
	1,034.5	**553.2**

During the current and prior financial year, no impairment losses were recognised on land and development properties.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	2021 $M	2020 $M
Carrying amount at the beginning of the year	7.2	–
Cost of acquisition:		
– On acquisition of controlled entities	–	13.1
– Other acquisitions	163.0	–
Capital expenditure	1.2	0.2
Carrying value of properties disposed	(7.4)	(4.6)
Net gain from fair value adjustments	–	(1.2)
Effect of foreign currency translation	(0.1)	(0.3)
Carrying amount at the end of the year	**163.9**	**7.2**
Analysed by segment:		
Asia	137.7	–
United Kingdom	26.2	7.2
	163.9	**7.2**

(f) Investments accounted for using the equity method

Joint ventures

A joint venture (JV) is an arrangement (referred to by the Consolidated Entity as a Partnership) in which the Consolidated Entity is considered to have joint control for accounting purposes, 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 profit or loss from the date the arrangement commences to the date the arrangement ceases. Movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

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

The Consolidated Entity's principal Partnerships are set out below:

Name	Country of establishment	Consolidated share of net results recognised 2021 $M	Consolidated share of net results recognised 2020 $M	Consolidated ownership interest 2021 %	Consolidated ownership interest 2020 %	Consolidated investment carrying amount 2021 $M	Consolidated investment carrying amount 2020 $M
Property investment							
KWASA Goodman Germany (KGG)	Luxembourg	**27.6**	13.0	**19.2**	20.5	**151.9**	137.4
Property development							
Goodman Japan Development Partnership (GJDP)	Japan	**40.3**	49.4	**50.0**	50.0	**73.9**	116.8
Property investment and development							
Goodman China Logistics Partnership (GCLP)	Cayman Islands	**65.2**	30.3	**20.0**	20.0	**832.7**	737.2
Goodman UK Partnership (GUKP)[1]	United Kingdom	**32.9**	14.8	**33.3**	33.3	**404.0**	277.0
Other JVs		**(1.3)**	(0.5)			**7.5**	7.8
		164.7	**107.0**			**1,470.0**	**1,276.2**

1. GUKP incorporated two separate investment vehicles in which the investment partners, including the Consolidated Entity, had the same ownership interests.

GJDP undertakes property development activities, with completed developments sold at, or shortly after, completion depending on leasing status. The Consolidated Entity's other Partnerships have a long-term remit to hold investment properties to earn rental income and for capital appreciation, although they will undertake developments when an appropriate opportunity arises.

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

Movements in carrying amount of investments in JVs	2021 $M	2020 $M
Carrying amount at the beginning of the year	1,276.2	1,226.9
Share of net results after tax (before fair value adjustments)	73.0	87.0
Share of fair value adjustments attributable to investment properties after tax	90.2	20.0
Share of fair value adjustments on derivative financial instruments	1.5	–
Share of net results	164.7	107.0
Share of movements in reserves	3.1	(25.8)
Acquisitions	245.9	153.0
Capital return	(143.2)	(116.0)
Disposals	–	(0.3)
Transfer to assets held for sale	–	(11.2)
Dividends/distributions received and receivable	(76.4)	(71.3)
Effect of foreign currency translation	(0.3)	13.9
Carrying amount at the end of the year	**1,470.0**	**1,276.2**

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
6 Property assets (continued)

Summary financial information of JVs

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

	KGG		GJDP		GCLP		GUKP	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Summarised statement of financial position								
Current assets								
Cash and cash equivalents	25.3	36.5	79.9	112.6	281.3	231.1	43.4	38.6
Other current assets	4.4	6.5	10.6	16.1	84.4	73.5	1,490.3	2.0
Total current assets	**29.7**	**43.0**	**90.5**	**128.7**	**365.7**	**304.6**	**1,533.7**	**40.6**
Total non-current assets	**1,441.9**	**1,215.1**	**254.2**	**378.5**	**5,537.5**	**4,741.5**	**–**	**813.4**
Current liabilities								
Financial liabilities (excluding trade payables and other provisions)	–	–	–	–	89.6	220.7	–	–
Other current liabilities	17.4	88.8	3.9	28.7	2,707.0	2,515.9	36.1	15.5
Total current liabilities	**17.4**	**88.8**	**3.9**	**28.7**	**2,796.6**	**2,736.6**	**36.1**	**15.5**
Non-current liabilities								
Financial liabilities (excluding trade payables and other provisions)	505.8	460.8	188.6	232.0	757.7	390.1	287.0	–
Other non-current liabilities	159.3	37.2	4.3	12.8	613.7	509.8	–	–
Total non-current liabilities	**665.1**	**498.0**	**192.9**	**244.8**	**1,371.4**	**899.9**	**287.0**	**–**
Net assets (100%)	**789.1**	**671.3**	**147.9**	**233.7**	**1,735.2**	**1,409.6**	**1,210.6**	**838.5**
Consolidated ownership interest (%)	19.2	20.5	50.0	50.0	20.0	20.0	33.3	33.3
Consolidated share of net assets	151.9	137.4	73.9	116.8	347.0	281.9	403.1	279.2
Shareholder loans[1]	–	–	–	–	482.3	452.0	–	–
Other items, including acquisition costs	–	–	–	–	3.4	3.3	0.9	(2.2)
Carrying amount of interest in JV	**151.9**	**137.4**	**73.9**	**116.8**	**832.7**	**737.2**	**404.0**	**277.0**
Summarised statement of comprehensive income		100.0	492.5	519.6	193.6	193.3		
Revenue	62.9	(5.6)	–	(0.8)	(19.2)	(22.4)	28.5	17.0
Net finance expense/(income)	(8.3)	(22.3)	(2.1)	(3.1)	(37.4)	(23.9)	(3.7)	0.1
Income tax expense	(4.7)	80.2	80.6	98.8	313.4	22.4	–	–
Profit and total comprehensive income (100%)	189.7						98.7	44.5
Consolidated share of profit and total comprehensive income	**27.6**	**13.0**	**40.3**	**49.4**	**67.8**	**4.5**	**32.9**	**14.8**
Dividends/distributions received and receivable by the Consolidated Entity	**13.8**	**13.7**	**52.1**	**54.5**	**6.1**	**3.1**	**4.6**	**–**

1. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest free, unsecured and have no fixed terms of repayment. The shareholder loans are not expected to be repaid within 12 months from the end of the reporting period and the Directors consider the loans to form part of the Consolidated Entity's investment in GCLP.

7. Receivables

Non-derivative financial assets

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

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

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

Loans and receivables

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

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

Amounts recoverable on development contracts

Amounts recoverable on development contracts arise when the Consolidated Entity contracts to sell a completed development asset either prior to or during the development phase. The receivables are stated at cost plus profit recognised to date less an allowance for foreseeable losses and less amounts already billed.

Impairment

Non-financial assets

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

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

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

Financial assets and contract assets

The Consolidated Entity recognises an impairment loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. Financial assets measured at amortised cost include cash and cash equivalents, trade receivables, amounts and loans due from related parties and other receivables.

Other financial assets measured at fair value are not subject to the ECL assessment.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)
7 Receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls. In measuring ECLs, the Consolidated Entity takes into account information about past events, current conditions and forecasts of future economic conditions.

Impairment loss allowances for trade receivables, amounts due from related parties, other receivables and contract assets are measured at an amount equal to a lifetime ECL. Lifetime ECLs are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Consolidated Entity recognises an impairment loss allowance equal to the expected losses within 12 months after the reporting date on loans to related parties, unless there has been a significant increase in credit risk of the loans since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

	Note	2021 $M	2020 $M
Current			
Trade receivables		12.4	11.1
Other receivables		94.0	61.8
Amounts due from related parties		75.3	106.3
Loans to related parties	21(c)	562.6	384.4
		744.3	**563.6**
Non-current			
Loans to related parties	21(c)	276.2	279.0
		276.2	**279.0**

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

Trade receivables

No trade receivables were impaired at 30 June 2021 and 2020. There are no significant overdue trade receivables at 30 June 2021.

Other receivables

At 30 June 2021, none of the other receivables balance was overdue or impaired (2020: $nil).

Amounts due from related parties

At 30 June 2021, none of the amounts due from related parties was overdue or impaired (2020: $nil). Amounts due from related parties are typically repayable within 30 days. The amounts due from related parties are unsecured.

Loans to related parties

Loans to related parties principally relate to loans to fellow subsidiaries of GL and GIT and loans to JVs. Refer to note 21(c) for details of loans to related parties. During the year, no impairment losses were recognised on loans to related parties (2020: $nil). The loans to related parties are unsecured.

8. Contract balances

Contract assets primarily comprise amounts recoverable from fixed price development contracts (disclosed net of any payments received on account) and accrued performance fee income where the Consolidated Entity assesses that the income can be reliably measured.

Contract liabilities primarily comprise deposits and other amounts received in advance for development contracts and rental guarantees.

The following table provides an analysis of receivables from contracts with customers (excluding rental income receivables), contract assets and contract liabilities at the reporting dates:

	2021 $M	2020 $M
Current		
Receivables from contracts with customers, which are included in trade receivables, other receivables and amounts due from related parties	87.2	110.2
Contract assets	55.7	25.1
Contract liabilities	4.8	12.3
Non-current		
Contract liabilities	1.0	1.5

Significant changes in the contract assets and the contract liabilities balances during the year are set out below:

	2021		2020	
	Contract assets $M	Contract liabilities $M	Contract assets $M	Contract liabilities $M
Balance at the beginning of the year	25.1	13.8	279.5	8.2
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	(7.7)	–	(1.6)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	–	7.2
Transfers from contract assets to receivables	(70.5)	–	(729.0)	–
Increase due to changes in the measure of progress during the year	101.1	–	464.5	–
Effect of foreign currency translation	–	(0.3)	10.1	–
Balance at the end of the year	**55.7**	**5.8**	**25.1**	**13.8**
Current contract assets and liabilities	55.7	4.8	25.1	12.3
Non-current contract liabilities	–	1.0	–	1.5
	55.7	**5.8**	**25.1**	**13.8**

Transaction price allocated to the remaining contract obligations

The amount of the transaction price allocated to the remaining performance obligations under the Consolidated Entity's existing contracts is $nil (2020: $14.3 million).

In addition, the Consolidated Entity receives investment management, development management and property services fees under various contracts that it has with its Partnerships. These contracts are for varying lengths of time and are typically transacted on terms that are consistent with market practice. The revenues under these contracts are linked to the AUM, total development project costs or gross property income of the Partnerships and are invoiced as the services are provided.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

9. Assets held for sale

In the prior year, the Consolidated Entity entered into an agreement with a third party to dispose a portfolio of property assets and the Consolidated Entity's operating platform in the Czech Republic, Hungary, Poland and Slovakia. The disposal was completed on 8 July 2020. At 30 June 2020, the directly held assets and liabilities to be disposed were presented as a disposal group held for sale and comprised the following assets and liabilities within the Continental Europe segment:

	Note	2020 $M
Cash	17(a)	10.8
Receivables		6.5
Inventories		89.1
Investments accounted for using the equity method		11.2
Other assets		7.0
Assets held for sale		**124.6**
Payables		5.5
Loans from related parties		14.6
Lease liabilities		6.6
Liabilities held for sale		**26.7**

No impairment losses were recognised in the current and prior year in respect of the disposal group.

10. Payables

Non-derivative financial liabilities

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

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

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

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

Other financial liabilities comprise trade payables, other payables and accruals and contract and lease liabilities.

	Note	2021 $M	2020 $M
Current			
Trade payables		50.3	63.0
Other payables and accruals		201.2	114.7
Contract liabilities	8	4.8	12.3
Lease liabilities	11	6.7	10.5
		263.0	**200.5**
Non-current			
Other payables and accruals		64.4	38.2
Contract liabilities	8	1.0	1.5
Lease liabilities	11	59.3	17.8
		124.7	**57.5**

11. Leases

The Consolidated Entity leases office buildings, motor vehicles and office equipment. Certain investment properties and developments classified as inventories are also built on land held under leasehold interests.

The Consolidated Entity recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost plus any direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change arising from the reassessment of whether Goodman will be reasonably certain to exercise an extension or termination option.

The right of use assets in respect of office buildings, motor vehicles and office equipment are depreciated using the straight-line method over the period of the lease. Right of use assets that meet the definition of investment property are carried at fair value in accordance with note 6(a). Ground leases of development land that are classified as inventories are not depreciated but are assessed at each reporting date for impairments to ensure they are recorded at the lower of cost and net realisable value.

Information about leases for which the Consolidated Entity is a lessee is detailed below:

	2021 $M	2020[1] $M
Right of use assets		
Inventories	315.5	122.9
Investment properties	137.7	–
Property, plant and equipment	12.1	18.9
	465.3	**141.8**
Lease liabilities		
Current	6.7	10.5
Non-current	59.3	17.8
	66.0	**28.3**

1. The comparative figures for inventories has been updated to include right of use assets for which the lease payments have been made upfront.

The following were recognised during the year:

	2021 $M	2020 $M
Additions to right of use assets	**344.3**	52.3
Depreciation of right of use assets	**7.6**	9.8
Interest expense on lease liabilities	**0.5**	0.9
Cash outflows on lease liabilities	**8.7**	11.9

CAPITAL MANAGEMENT

12. Finance income and expense

Finance income

Interest is recognised on an accruals basis using the effective interest rate method, and, if not received at the reporting date, is reflected in the consolidated 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.

	Note	2021 $M	2020 $M
Finance income			
Interest income on loans to:			
– Related parties	21	12.7	10.2
– Other parties		0.8	1.1
Interest income from derivatives		8.3	12.4
		21.8	**23.7**
Finance expense			
Interest expense from related party loans	21	(38.9)	(44.9)
Other borrowing costs		(1.1)	(1.2)
Fair value adjustments on derivative financial instruments		(20.1)	(21.8)
Foreign exchange losses		(32.2)	–
Capitalised borrowing costs		9.4	9.1
		(82.9)	**(58.8)**
		(61.1)	**(35.1)**

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 1.0% and 10.6% per annum (2020: 2.0% and 4.2% per annum).

Notes to the consolidated financial statements

Capital management (continued)

13. Other financial assets and liabilities

Other financial assets and liabilities are recognised initially on the trade date at which the Consolidated Entity become 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 profit or loss.

Investments in unlisted securities

Subsequent to initial recognition, investments in unlisted securities are measured at fair value and changes therein are recognised as other comprehensive income and presented in the asset revaluation reserve in equity. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to retained earnings.

Other financial assets

	2021 $M	2020 $M
Derivative financial instruments	64.4	2.1
Investment in unlisted securities, at fair value[1]	38.2	34.3
	102.6	**36.4**

1. Principally relates to the Consolidated Entity's 10.0% (2020: 10.0%) interest in Goodman Japan Limited. During the year, a revaluation gain of $7.6 million was recognised in other comprehensive income (2020: $5.5 million gain). Refer to note 14(d) for assumptions made in measuring fair value of the unlisted securities.

Other financial liabilities

	2021 $M	2020 $M
Derivative financial instruments	89.1	48.9
	89.1	**48.9**

14. Financial risk management

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

Goodman Group's treasury function is responsible for monitoring the day to day compliance with Goodman Group's FRM policies and prepares reports for consideration by management committees and Goodman Group's Board including:

+ Cash flow projections over a period of at least 12 months to assess the level of cash and undrawn facilities, and headline gearing at each month end
+ Debt maturity profile, to allow the Goodman Group to plan well in advance of maturing facilities
+ Interest rate hedge profile over the next 10 years, to allow Goodman Group to manage the proportion of fixed and floating rate debt in accordance with its FRM policy
+ Capital hedge position (by currency) and profile of expiring currency derivatives, to allow Goodman Group to manage its net investment hedging in accordance with its FRM policy.

Any significant investments or material changes to the finance facilities or FRM policies require approval by the Goodman Group Board.

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

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to transactional foreign currency risk and net investment foreign currency risk through its investments in Hong Kong, Japan, China, Continental Europe and United Kingdom and also loans to related parties in North America. Foreign exchange risk represents the loss that would be recognised from adverse fluctuations in currency prices as a result of future commercial transactions, recognised assets and liabilities and, principally, net investments in foreign operations.

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

Goodman Group's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS) and forward exchange contracts (FEC).

As at 30 June 2021, a summary of the derivative financial instruments used to hedge the Consolidated Entity's exposures arising from its investments in foreign operations is set out below:

	2021			2020		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	HKD'M	AUD'M	AUD/HKD	HKD'M	AUD'M	AUD/HKD
AUD receivable/HKD payable	(500.0)	83.9	5.9560	–	–	–
	EUR'M	AUD'M	AUD/EUR	EUR'M	AUD'M	AUD/EUR
AUD receivable/EUR payable	(675.0)	1,086.7	0.6214	(495.0)	803.0	0.6165
	USD'M	AUD'M	AUD/USD	USD'M	AUD'M	AUD/USD
AUD receivable/USD payable	(450.0)	634.6	0.7092	–	–	–
	JPY'M	AUD'M	AUD/JPY	JPY'M	AUD'M	AUD/JPY
AUD receivable/JPY payable	(6,000.0)	71.9	83.4650	–	–	–
	CNY'M	USD'M	USD/CNY	CNY'M	USD'M	USD/CNY
USD receivable/CNY payable	(4,545.2)	600.0	7.5753	(3,823.9)	500.0	7.6477

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2020: 5%) stronger against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by $36.7 million (2020: $16.3 million). If the Australian dollar had been 5% (2020: 5%) weaker against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by $36.7 million (2020: $16.3 million).

Notes to the consolidated financial statements

Capital management (continued)
14 Financial risk management (continued)

Interest rate risk

Goodman Group adopts a policy that at all times interest rates on between 60% and 100% of the Group's external borrowings and derivatives (by principal) are hedged for the next 12 months. The Consolidated Entity's interest rate risk arises from floating interest rates on related party loans (receivable and payable) and from the floating interest rate legs of certain CCIRS. The Consolidated Entity does not hedge its interest rate exposure on related party loans but has entered into interest rate swaps (IRS) to manage certain cash flow risks associated with floating interest rates on its CCIRS.

As at 30 June 2021, the Consolidated Entity's fixed and floating rate exposure (by principal) arising from its derivative financial instruments is set out below:

	Impact of derivatives		
	CCIRS A$M	IRS A$M	Net position A$M
30 June 2021			
Fixed rate liabilities	–	474.2	474.2
Floating rate – payable	1,825.0	(474.2)	1,350.8
Floating rate – receivable	(1,877.1)	–	(1,877.1)
	(52.1)	**–**	**(52.1)**
30 June 2020			
Fixed rate liabilities	–	326.4	326.4
Floating rate – payable	807.8	(326.4)	481.4
Floating rate – receivable	(803.0)	–	(803.0)
	4.8	**–**	**4.8**

As a result of the derivative financial instruments that existed at 30 June 2021, the Consolidated Entity would have the following fixed interest rate exposure (by principal) at the end of each of the next five financial years. This assumes all derivative financial instruments mature in accordance with current contractual terms.

		2021		2020
Number of years post balance date	Fixed interest rate (by principal) A$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) A$M	Weighted average interest rate % per annum
1 year	474.2	(0.47)	360.3	(0.52)
2 years	474.2	(0.47)	489.6	(0.47)
3 years	408.5	(0.45)	489.6	(0.47)
4 years	158.1	(0.31)	421.8	(0.45)
5 years	158.1	(0.31)	163.2	(0.31)

Sensitivity analysis

Based on the Consolidated Entity's interest bearing borrowings at 30 June 2021, if interest rates on borrowings had been 100 bps per annum (2020: 100 bps per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders would have been $10.8 million lower/higher (2020: $11.5 million lower/higher).

(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 short-term working capital, capital expenditure, investment opportunities and dividends. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, primarily through loans from related parties in Goodman Group.

The contractual maturities of financial liabilities are set out below:

	Carrying amount	Contractual cash flows	Up to 12 months	1 to 2 year(s)	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
	$M	$M	$M	$M	$M	$M	$M	$M
As at 30 June 2021								
Non-derivative financial liabilities								
Trade and other payables	315.9	315.9	251.5	64.4	–	–	–	–
Contract liabilities	5.8	5.8	4.8	1.0	–	–	–	–
Lease liabilities	66.0	151.4	6.7	3.8	3.3	3.8	3.3	130.5
Loans from related parties	1,891.1	1,905.3	811.1	104.4	43.2	74.6	540.5	331.5
Total non-derivative financial liabilities	**2,278.8**	**2,378.4**	**1,074.1**	**173.6**	**46.5**	**78.4**	**543.8**	**462.0**
Derivative financial liabilities								
Net settled[1]:	79.4	73.5	0.2	29.0	22.7	23.5	(0.3)	(1.6)
Gross settled[2]:								
(Inflow)	(54.7)	(123.1)	(11.5)	(17.3)	(56.1)	(22.7)	(13.0)	(2.5)
Outflow	–	67.5	1.2	3.2	4.9	1.1	25.6	31.5
Total derivative financial liabilities	**24.7**	**17.9**	**(10.1)**	**14.9**	**(28.5)**	**1.9**	**12.3**	**27.4**
As at 30 June 2020								
Non-derivative financial liabilities								
Trade and other payables	215.9	215.9	177.7	38.2	–	–	–	–
Contract liabilities	13.8	13.8	12.3	1.5	–	–	–	–
Lease liabilities	28.3	43.3	12.3	7.0	2.3	1.6	1.2	18.9
Loans from related parties	1,731.0	1,753.1	1,409.0	5.4	148.2	2.3	2.3	185.9
Total non-derivative financial liabilities	**1,989.0**	**2,026.1**	**1,611.3**	**52.1**	**150.5**	**3.9**	**3.5**	**204.8**
Derivative financial liabilities								
Net settled[1]:	18.5	17.2	(0.6)	(0.3)	3.2	6.2	9.8	(1.1)
Gross settled[2]:								
(Inflow)	–	(51.4)	(6.8)	(8.1)	(9.5)	(11.5)	(11.8)	(3.7)
Outflow	28.3	54.8	–	–	–	–	–	54.8
Total derivative financial liabilities	**46.8**	**20.6**	**(7.4)**	**(8.4)**	**(6.3)**	**(5.3)**	**(2.0)**	**50.0**

1. Net settled includes IRS and FEC.
2. Gross settled includes CCIRS.

Notes to the consolidated financial statements

Capital management (continued)
14 Financial risk management (continued)

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised in the consolidated statement of financial position, is the carrying amount (refer to note 7).

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk.

In relation to material bank deposits, the Consolidated Entity minimises credit risk by dealing with major financial institutions. The counterparty must have a long-term investment grade credit rating from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

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

During the current and prior year, credit risk arising from cash and cash equivalents, trade receivables, amounts and loans due from related parties and other receivables was not determined to be significant and no impairment losses were recognised.

The credit risks associated with derivative financial instruments are managed by:

+ Transacting with multiple derivatives counterparties that have a long-term investment grade credit rating
+ 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) and
+ Formal review of the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting off or similar agreements

Goodman Group 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.

(d) Fair values of financial instruments

Except for derivative financial instruments and investments in unlisted securities which are carried at fair value, the Consolidated Entity's financial instruments are carried at cost or amortised cost. The carrying amounts of the Consolidated Entity's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 and 2020.

(i) 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 2021				
Derivative financial assets	–	64.4	–	64.4
Investment in unlisted securities	–	–	38.2	38.2
	–	**64.4**	**38.2**	**102.6**
Derivative financial liabilities	–	89.1	–	89.1
	–	**89.1**	**–**	**89.1**
As at 30 June 2020				
Derivative financial assets	–	2.1	–	2.1
Investment in unlisted securities	–	–	34.3	34.4
	–	**2.1**	**34.3**	**36.4**
Derivative financial liabilities	–	48.9	–	48.9
	–	**48.9**	**–**	**48.9**

There were no transfers between the levels during the year.

(ii) 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 IRS, CCIRS and FEC.

The fair values of derivatives 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.

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities + Goodman Japan Limited	Discounted cash flows: The valuation model was determined by discounting the future cash flows expected to be generated from continuing operations. The future cash flows were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and an appropriate discount rate.	+ Assets under management of $5.4 billion in year five + Average annual development of 83,500 square metres + Five year terminal value growth rate of 0.38% + Risk adjusted post tax discount rate of nil per annum.	The estimated fair value would increase/(decrease) if: + The level of assets under management, development activity and terminal value growth rate were higher/(lower) or + The risk adjusted discount rate were lower/(higher).

(iii) Reconciliation of Level 3 fair values

	2021 $M	2020 $M
Carrying amount at the beginning of the year	34.3	28.2
Acquisitions	–	0.1
Net change in fair value – included in other comprehensive income	7.6	5.5
Effect of foreign currency translation	(3.7)	0.5
Carrying amount at the end of the year	**38.2**	**34.3**

15. Dividends

During the financial year, the Company declared a final dividend of 6.0 cents per share amounting to $110.8 million. This dividend will be paid on 26 August 2021. In the prior year, the Company declared a final dividend of 4.0 cents per share amounting to $73.1 million. This was paid on 28 August 2020.

Notes to the consolidated financial statements

Capital management (continued)

16. Share capital

(a) Ordinary shares

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

	2021	2020 Number of shares	2021 SM	2020 SM
Share capital	1,847,429,255	1,828,413,236	792.5	732.6
Accumulated issue costs			(0.6)	(0.6)
Total issued capital			**791.9**	**732.0**

Date	Details	Number of shares	Share capital $M
	Ordinary shares, issued and fully paid		
30 Jun 2019	Balance at 30 June 2019	1,813,881,995	696.6
31 Aug 2019	Shares issued to employees of Goodman Group[1]	14,531,241	36.0
30 Jun 2020	**Balance at 30 June 2020**	**1,828,413,236**	**732.6**
31 Aug 2020	Shares issued to employees of Goodman Group[1]	15,438,241	48.6
4 Sep 2020	Issue of ordinary shares	3,577,778	11.3
30 Jun 2021	**Balance at 30 June 2021**	**1,847,429,255**	**792.5**

1. During the year, the Company issued 15,438,241 (2020: 14,531,241) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan (LTIP).

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

(b) Equity settled share based payment transactions

LTIP

Goodman Group's share based payments primarily relate to performance rights awarded to employees under the LTIP. These performance rights entitle an employee to either acquire Goodman Group securities for $nil consideration (equity settled performance rights) or, in certain jurisdictions, to receive an amount in cash equal to the value of the securities (cash settled performance rights), subject to the vesting conditions having been satisfied.

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

	2021	Number of rights 2020
Outstanding at the beginning of the year	24,921,436	21,300,216
Issued	5,580,560	5,221,335
Transferred from other Goodman Group entities	–	4,386,501
Vested	(5,952,229)	(5,526,953)
Forfeited	(1,815,340)	(459,663)
Outstanding at the end of the year	**22,734,427**	**24,921,436**
Exercisable at the end of the year	**–**	**–**

Share based payments transactions

The fair value of equity settled performance rights at the grant date is expensed with a corresponding increase in the employee compensation reserve over the period from the grant date to the vesting dates. The expense 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 retained earnings.

The fair value of cash settled performance rights is also recognised as an expense but with a corresponding increase in liabilities over the vesting period. The expense 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 liability is remeasured at each reporting date and at the vesting date based on the fair value of the rights.

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 fair value of the performance rights granted during the year was measured as follows:

+ Operating earnings per security tranche: these rights were valued as a granted call option, using the standard Black Scholes model with a continuous dividend yield
+ Relative total shareholder return tranche: these rights were 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.

The model inputs for performance rights, both equity and cash settled, awarded during the current financial year included the following:

	Rights issued on 19 Nov 2020	Rights issued on 30 Sep 2020
Fair value at measurement date ($)	16.07	15.77
Security price ($)	18.68	17.49
Exercise price ($)	–	–
Expected volatility (%)	28.08	27.21
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	1.61	1.67
Average risk free rate of interest per annum (%)	0.21	0.25

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

	2021 $M	2020 $M
Share based payment expense:		
– Equity settled	44.5	29.8
– Cash settled	79.5	27.8
	124.0	**57.6**

At 30 June 2021, a liability of $111.2 million (2020: $51.9 million) was recognised in relation to cash settled performance rights.

Notes to the consolidated financial statements

OTHER ITEMS

17. Notes to the consolidated cash flow statement

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

(a) Reconciliation of cash

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

	Note	2021 $M	2020 $M
Cash assets		358.4	357.4
Cash classified as held for sale	9	–	10.8
		358.4	**368.2**

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

	2021 $M	2020 $M
Profit for the year	**415.2**	**329.7**
Items classified as investing activities		
Net loss/(gain) on disposal of investment properties	1.9	(0.2)
Net gain on disposal of equity accounted investments	(1.8)	(24.9)
Non-cash items		
Depreciation of plant and equipment	9.6	11.7
Share based payments expense	124.0	57.6
Net loss from fair value adjustments on investment properties	–	1.2
Share of net results of equity accounted investments	(164.7)	(107.0)
Net finance expense	61.1	35.1
Income tax expense	12.2	40.2
	457.5	**343.4**
Changes in assets and liabilities during the year:		
– Increase/(decrease) in receivables	(39.5)	253.5
– Increase in inventories	(93.2)	(123.8)
– Increase in other assets	(1.5)	(5.3)
– Increase/(decrease) in payables	69.5	(163.7)
– Increase in provisions (including employee benefits)	1.0	26.8
	393.8	**330.9**
Dividends/distributions received from equity accounted investments	80.9	77.6
Net finance costs received	15.1	20.1
Net income taxes paid	(16.2)	(52.4)
Net cash provided by operating activities	**473.6**	**376.3**

(c) Reconciliation of liabilities arising from financing activities

	Derivatives used for hedging $M	Dividends payable $M	Loans (to)/from related parties $M	Lease liabilities $M
Balance at 1 July 2019	**6.7**	**90.7**	**612.3**	**34.4**
Changes from financing cash flows				
Net proceeds from loans with related parties	–	–	(101.0)	–
Payment of lease liabilities	–	–	–	(11.9)
Dividends paid	–	(90.7)	–	–
Total changes from financing cash flows	**–**	**(90.7)**	**(101.0)**	**(11.9)**
Changes arising from acquisition of entities from GL	19.2	–	505.1	12.9
Effect of foreign exchange movements	(0.9)	–	27.9	–
Changes in fair value	21.8	–	–	–
Other changes				
Issue of shares under the LTIP	–	–	(36.0)	–
Equity settled share based payments transactions	–	–	24.6	–
Interest income	–	–	(10.2)	–
Interest expense	–	–	44.9	0.9
Interest paid	–	–	–	–
Dividends declared	–	73.1	–	–
Other movements	–	–	–	(8.0)
Total other changes	**–**	**73.1**	**23.3**	**(7.1)**
Balance at 30 June 2020	**46.8**	**73.1**	**1,067.6**	**28.3**
Balance at 1 July 2020	**46.8**	**73.1**	**1,067.6**	**28.3**
Changes from financing cash flows				
Payment of derivative financial instruments	(42.2)	–	–	–
Net repayments of loans with related parties	–	–	(83.7)	–
Payment of lease liabilities	–	–	–	(8.7)
Dividends paid	–	(73.1)	–	–
Total changes from financing cash flows	**(42.2)**	**(73.1)**	**(83.7)**	**(8.7)**
Changes arising from disposal of controlled entities	–	–	14.6	–
Effect of foreign exchange movements	–	–	50.0	–
Changes in fair value	20.1	–	–	–
Other changes				
Issue of shares under the LTIP	–	–	(48.6)	–
Equity settled share based payments transactions	–	–	26.2	–
New leases	–	–	–	45.9
Interest income	–	–	(12.7)	–
Interest expense	–	–	38.9	0.5
Dividends declared	–	110.8	–	–
Total other changes	**–**	**110.8**	**3.8**	**46.4**
Balance at 30 June 2021	**24.7**	**110.8**	**1,052.3**	**66.0**

Notes to the consolidated financial statements

Other items (continued)

18. Reserves

		Consolidated		Company	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Asset revaluation reserve	18(a)	27.3	19.7	27.0	19.7
Foreign currency translation reserve	18(b)	12.7	33.5	4.8	–
Employee compensation reserve	18(c)	48.3	33.4	40.2	33.4
Defined benefit retirement schemes reserve	18(d)	(14.4)	(8.2)	–	–
Common control reserve[1]	18(e)	(702.9)	(702.9)	–	–
Total reserves		**(629.0)**	**(624.5)**	**72.0**	**53.1**

1. The common control reserve arises from the acquisition of entities from other members of Goodman Group under the pooling of interest method. The amount in the common control reserve reflects the difference between the consideration paid and the carrying values of the assets and liabilities of the acquired entity at the date of acquisition.

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

	Consolidated		Company	
	2021 $M	2020 $M	2021 $M	2020 $M
(a) Asset revaluation reserve				
Balance at the beginning of the year	19.7	14.2	19.7	14.2
Increase due to revaluation of other financial assets	7.6	5.5	7.3	5.5
Balance at the end of the year	**27.3**	**19.7**	**27.0**	**19.7**
(b) Foreign currency translation reserve				
Balance at the beginning of the year	33.5	48.3	–	–
Net exchange differences on conversion of foreign operations	(20.8)	(14.8)	4.8	–
Balance at the end of the year	**12.7**	**33.5**	**4.8**	**–**
(c) Employee compensation reserve				
Balance at the beginning of the year	33.4	28.2	33.4	28.2
Equity settled share based payment transactions	14.9	5.2	6.8	5.2
Balance at the end of the year	**48.3**	**33.4**	**40.2**	**33.4**
(d) Defined benefits funds actuarial losses reserve				
Balance at the beginning of the year	(8.2)	–	–	–
Actuarial losses on defined benefit superannuation funds	(6.0)	(8.2)	–	–
Effect of foreign currency translation	(0.2)	–	–	–
Balance at the end of the year	**(14.4)**	**(8.2)**	**–**	**–**
(e) Common control reserve				
Balance at the beginning of the year	(702.9)	(538.1)	–	–
Acquisition of entities from GL	–	(164.8)	–	–
Balance at the end of the year	**(702.9)**	**(702.9)**	**–**	**–**

19. Retained earnings

		Consolidated		Company	
	Note	2021 $M	2020 $M	2021 $M	2020 $M
Balance at the beginning of the year		1,287.2	1,034.8	575.6	253.7
Profit for the year		408.4	325.5	329.9	395.0
Dividends declared	15	(110.8)	(73.1)	(110.8)	(73.1)
Balance at the end of the year		**1,584.8**	**1,287.2**	**794.7**	**575.6**

20. Investments in subsidiaries

Subsidiaries

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

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

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

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

			Interest held	
Significant controlled companies	Principal activities	Country of incorporation	2021 %	2020 %
Goodman Asia Limited	Investment and property management services	Hong Kong	100.0	100.0
Goodman China Limited	Property management and development management consultancy services	Hong Kong	100.0	100.0
Goodman China Asset Management Limited	Investment management	Cayman Islands	100.0	100.0
Goodman Developments Asia	Investment and property development	Cayman Islands	100.0	100.0
GJSP Limited	Investment management	Japan	100.0	–
GELF Management (Lux) Sàrl	Investment management	Luxembourg	100.0	100.0
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	Luxembourg	100.0	100.0
Goodman Midnight Logistics (Lux) Sàrl	Investment holding company	Luxembourg	100.0	100.0
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	Luxembourg	94.0	94.0
GPO Advisory (Lux) Sàrl	Property management services	Luxembourg	100.0	100.0
Goodman UK Holdings (HK) Limited	Intermediate holding company	United Kingdom	100.0	100.0

Notes to the consolidated financial statements

Other items (continued)
20 Investments in subsidiaries (continued)

Combination of entities or businesses under common control

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

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

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

21. Related party transactions

Related parties

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

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

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

(a) Directors' remuneration

Directors' remuneration (including alternate Directors) disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2021 $M	2020 $M
Directors fees	0.7	0.6
Salaries, allowances and benefits in kind	3.7	3.8
Share based payments	16.1	13.9
	20.5	**18.3**

(b) Transactions and amounts due from related parties

	Management and development activities		Amounts due from related parties[1]	
	2021 $M	2020 $M	2021 $M	2020 $M
JVs				
GCLP	64.9	67.9	12.6	20.4
KGG	141.7	41.7	–	–
	206.6	**109.6**	**12.6**	**20.4**
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	135.2	255.3	42.0	56.8
Goodman European Partnership	221.9	323.9	36.4	20.1
Other related parties	67.0	18.7	10.4	9.0
	424.1	**597.9**	**88.8**	**85.9**

1. Includes contract assets arising from transactions with related parties.

Transactions with GL

During the year, the Consolidated Entity recognised expenses of $42.4 million (2020: $91.1 million) for services provided by a controlled entity of GL.

(c) Financing arrangements with related parties

	Loans to related parties[1]		Loans from related parties[1]		Interest income/(expense) charged on loans to/from related parties	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
JVs	**29.6**	**60.8**	**–**	**–**	**0.3**	**0.3**
GL, GIT and their controlled entities	**809.2**	**599.0**	**(1,891.1)**	**(1,731.0)**	**(26.5)**	**(35.0)**
Related parties of GL and GIT						
Goodman European Partnership	–	3.6	–	–	–	–
Related parties of GL and GIT	**–**	**3.6**	**–**	**–**	**–**	**–**
	838.8	663.4	(1,891.1)	(1,731.0)	(26.2)	(34.7)

1. Loans by the Consolidated Entity to/from JVs and other related parties have generally been provided on an arm's length basis. At 30 June 2021, details in respect of the principal loan balances are set out below:
   - Loans to GL, GIT and its controlled entities amounting to $809.2 million (2020: $599.0 million) are interest bearing and repayable on demand. The interest bearing loans incur interest at rates ranging from 0.7% to 7.2% per annum (2020: 0.8% to 1.7% per annum).
   - Loans from GL, GIT and their controlled entities are interest bearing and amount to $1,891.1 million (2020: $1,731.0 million). $806.7 million of the loans is repayable on demand and $1,084.4 million is repayable greater than one year from the reporting date. The interest bearing loans incur floating interest at rates ranging from 0.9% to 10.6% per annum (2020: 1.0% to 4.4% per annum).
   - In the prior year, a loan of $3.6 million was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Partnership, and incurred interest at 6.9% per annum.

Notes to the consolidated financial statements

Other items (continued)

22. Commitments

Development activities

At 30 June 2021, the Consolidated Entity was committed to $351.3 million (2020: $251.1 million) expenditure in respect of inventories and other development activities.

Investment properties

At 30 June 2021, the Consolidated Entity had contracted to acquire an investment property for $67.7 million (2020: $nil).

23. Contingencies

Capitalisation Deed Poll

GLHK, GL, GIT and certain of their wholly owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of 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.

United States and Reg S senior notes

Under the issue of notes in the United States 144A/Reg S bond market, controlled entities of GIT had on issue USD and EUR notes amounting to US$850.0 million and €500.0 million respectively. GL, 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 each of the notes.

24. Company level statement of financial position

	Note	2021 $M	2020 $M
Current assets			
Cash		167.8	169.5
Receivables		126.1	306.5
Total current assets		**293.9**	**476.0**
Non-current assets			
Investments in subsidiaries		1,821.9	1,169.1
Receivables		169.8	–
Other financial assets		171.8	124.1
Total non-current assets		**2,163.5**	**1,293.2**
Total assets		**2,457.4**	**1,769.2**
Current liabilities			
Payables		96.0	–
Dividends payable		110.8	73.1
Total current liabilities		**206.8**	**73.1**
Non-current liabilities			
Payables		505.2	327.3
Other financial liabilities		86.8	8.1
Total non-current liabilities		**592.0**	**335.4**
Total liabilities		**798.8**	**408.5**
Net assets		**1,658.6**	**1,360.7**
Equity attributable to Shareholders			
Share capital		791.9	732.0
Reserves	18	72.0	53.1
Retained earnings	19	794.7	575.6
Total equity attributable to Shareholders		**1,658.6**	**1,360.7**

The Company level statement of financial position was approved and authorised for issue by the Board of Directors on 12 August 2021.

Stephen Paul Johns
Director

David Jeremy Collins
Director

25. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this financial report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

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Securities information

Top 20 Securityholders As at 25 August 2021	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	661,497,211	35.81
2. J P Morgan Nominees Australia Limited	575,719,739	31.16
3. Citicorp Nominees Pty Limited	179,518,534	9.72
4. National Nominees Limited	72,892,779	3.95
5. BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	65,122,257	3.53
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	33,855,552	1.83
7. BNP Paribas Noms Pty Ltd <DRP>	33,514,572	1.81
8. Trison Investments Pty Ltd	16,874,053	0.91
9. Beeside Pty Ltd Atf The Beeside Trust	13,192,040	0.71
10. BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	10,248,121	0.55
11. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	9,549,917	0.52
12. Australian Foundation Investment Company Limited	6,685,000	0.36
13. UBS Nominees Pty Ltd	4,179,793	0.23
14. BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	3,214,030	0.17
15. National Nominees Limited <N A/C>	3,065,053	0.17
16. Custodial Services Limited <Beneficiaries Holding A/C>	3,024,649	0.16
17. Netwealth Investments Limited <Wrap Services A/C>	2,546,642	0.14
18. AMP Life Limited	2,510,153	0.14
19. One Managed Investment Funds Ltd <Charter Hall Maxim Property SE>	2,425,000	0.13
20. HSBC Custody Nominees (Australia) Limited	2,209,960	0.12
Securities held by top 20 Securityholders	1,701,845,055	92.12
Balance of securities held	145,584,200	7.88
Total issued securities	**1,847,429,255**	**100.00**

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1 – 1,000	23,031	8,939,504	0.48
1,001 – 5,000	15,941	37,146,083	2.01
5,001 – 10,000	2,998	21,227,837	1.15
10,001 – 100,000	1,706	36,666,195	1.98
100,001 – over	102	1,743,449,636	94.38
Total	**43,778**	**1,847,429,255**	**100.00**

There were 651 Securityholders with less than a marketable parcel in relation to 2,712 securities as at 25 August 2021.

Substantial Securityholders[1]	Number of securities
CIC (Leader Investment Corporation)	166,917,309
Vanguard Group	187,278,775
Blackrock Investment Management Limited	137,503,983

1. In accordance with the latest Substantial Securityholder Notices as at 25 August 2021.

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

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

Securityholder approval of securities During the financial year, 13,340,317 performance rights were issued under the Long Term Incentive Plan, of which 1,730,000 performance rights were issued to Executive Directors with securityholder approval under ASX Listing Rule 10.14.

On-market buy-back There is no current on-market buy-back.

Glossary

AASB Australian Accounting Standards Board.

ASX Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

AUM Assets under management: total value of properties directly held or under management.

CPPIB Canada Pension Plan Investment Board.

Cps Cents per security.

Cpu Cents per unit.

DPS Distribution per security. Total distributions to investors divided by the number of securities outstanding.

EPS Earnings per security.

GADP Goodman Australia Development Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GAIP Goodman Australia Industrial Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GAP Goodman Australia Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GBLP Goodman Brazil Logistics Partnership.

GCLP Goodman China Logistics Partnership Limited, an unlisted property investment vehicle specialising in the investment of industrial property in China.

GEP Goodman European Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Continental Europe.

GFML Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621).

GHKLP Goodman Hong Kong Logistics Fund, an unlisted property investment vehicle specialising in the investment of industrial property in Hong Kong.

GIT Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities or GFM as Responsible Entity for GIT, where the context requires.

GJCP Goodman Japan Core Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Japan.

GJDP Goodman Japan Development Partnership, a logistics and industrial partnership specialising in the development of industrial property in Japan.

GL Goodman Limited (ABN 69 000 123 071) and where the context requires, its controlled entities.

GMT Goodman Property Trust, a listed property trust on the

NZX managed by GMG.

GNAP Goodman North America Partnership, a logistics and industrial partnership specialising in the investment of industrial property in North America.

GLHK Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149) and where the context requires, its controlled entities.

Goodman Group or GMG Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

GUKP Goodman United Kingdom Partnership

KGIP KWASA-Goodman Industrial Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

KGG KWASA-Goodman Germany, an unlisted property trust specialising in the investment of industrial property in Germany.

Stapled The linking together of a GIT unit, a GL share and a CDI in respect of a GLHK share so that one may not be transferred or otherwise dealt with without the other and which are quoted on the ASX jointly as a “stapled security”.

Stapled Security or **Security** A GIT unit, a GL share and a CDI in respect of a GLHK share which are stapled so that they can only be traded together.

NAV Net asset value: the value of total assets less liabilities. For this purpose, liabilities include both current and long-term liabilities. To calculate the net asset value per ordinary security, divide the net asset value by the number of securities on issue.

NZX New Zealand Exchange Limited or New Zealand Exchange being the equity security market operated by it, as the case requires.

Responsible Entity Responsible Entity means a public company that holds an Australian Financial Services Licence (“AFSL”) authorising it to operate a managed investment scheme. In respect of GIT, the Responsible Entity is GFML, a wholly-owned subsidiary of GL.

S&P Standard & Poor’s: an independent rating agency that provides evaluation of securities investments and credit risk.

Securityholder A holder of a Stapled Security. Shareholder A shareholder of GL and/or GLHK.

Sqm Square metres.

Sq ft Square feet.

Substantial Securityholder A person or company that holds at least 5% of Goodman Group’s voting rights.

TSR Total securityholder return.

Corporate directory

Goodman Group

Goodman Limited
ABN 69 000 123 071

Goodman Industrial Trust
ARSN 091 213 839
Responsible Entity of Goodman Industrial Trust

Goodman Funds Management Limited
ABN 48 067 796 641
AFSL Number 223621

Goodman Logistics (HK) Limited
Company No. 1700359
ARBN 155 911 149

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Hamburg
Hong Kong
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Los Angeles
Luxembourg
Madrid
Melbourne
Milan
Munich
New Jersey
Osaka
Paris
Pennsylvania
San Francisco
São Paulo
Shanghai
Shenzhen
Tokyo

Directors

Goodman Limited and Goodman Funds Management Limited

Stephen Johns
Independent Chairman

Greg Goodman
Group Chief Executive Officer

Chris Green
Independent Director

Mark G Johnson
Independent Director

Rebecca McGrath
Independent Director

Danny Peeters
Executive Director

Phillip Pryke
Independent Director

Anthony Rozic
Executive Director

Penny Winn
Independent Director

Carl Bicego
Company Secretary

Goodman Logistics (HK) Limited

Stephen Johns
Independent Chairman

David Collins
Independent Director

Danny Peeters
Executive Director

Company Secretary
Goodman Secretarial Asia Limited

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