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Chairman's letter

Goodman Group has delivered another excellent result in FY23 with operating earnings per security up 16% on the previous year. The location and quality of our properties, driven by the Group's sustainable, long-term strategy and the quality of our management team, are what continue to underwrite Goodman's success.

Within a tough economic environment and a growing digital economy, the Group remains committed to its business strategy. Over time we have seen the location of our properties attract a broader range of uses from the storage and movement of goods to data centres. This demand provides opportunities for Goodman to create value for Securityholders.

On occasions where land use changes are no longer aligned to our strategy, we work with rezoning and planning authorities before selling these assets to the relevant specialists. In many cases these are residential developers.

The Group remains prudent and disciplined in its capital management strategy, helping to facilitate long term sustainability of earnings and financial flexibility. With gearing low at 8.3% and \$3.1 billion of liquidity available to the Group, Goodman has the ability to fund organic growth through our substantial development program and also take advantage of opportunities as they arise.

Integrating sustainability

The success of the Group in FY23 also extends to its achievements across ESG initiatives. Sustainability remains a critical component of our business strategy and is more than a compliance function.

In addition to the strong financial performance for FY23, Goodman has made significant progress against all areas of our sustainability targets. Details are covered in the Group CEO's letter and in the Directors' report.

To oversee the environmental aspect of the ESG function, in October 2022, the Board established a Sustainability and Innovation Committee which has been focused on initiatives and investments that support sustainable developments, energy generation and storage solutions. It also assesses the impact and opportunities that emerging technologies, such as artificial intelligence, are expected to have on Goodman, our customers, and more broadly the way people will live, work and consume.

The social and governance areas are overseen by the Remuneration and Nomination Committee and the Audit, Risk and Compliance Committee.

Our sustainability-linked remuneration targets in the Group's Long Term Incentive Plan promote the integration of sustainability within the core business.

Remuneration

The attraction and retention of talent are critical for the success of the Group. We set ambitious and challenging targets for our business which are aligned to the interests of our Securityholders. We also continue to be challenged by competitors seeking to recruit our high-performing teams around the world. The Group's longstanding and consistent approach to remuneration has been a key driver of our sustained success as an international business over an extended period of time.

Despite receiving a second strike at last year's AGM, we recognise the significant support for our 2022 Remuneration Report which increased to over 71% from 58% a year before. While as a Board, we were naturally disappointed with the result, we were grateful at the overwhelming support for the Board in relation to the spill resolution. It is important to note that in the lead up to the AGM in 2022, we engaged directly with a large number of our investors representing approximately 60% of the securities on issue. Of this Group only a small proportion voted against the 2022 Remuneration Report. We received strong positive support for the plan structure, in particular our innovative ten-year plan for senior executives, and the changes from 2021.

Despite not receiving sufficient votes to avoid the strike in 2022, the Board is confident that a substantial majority of our Securityholders continue to believe firmly in our remuneration structure, and importantly its alignment with their long-term outcomes.

We have again reflected this sentiment in setting awards and hurdles this year. For our key management personnel:

- + The STI component has been reduced by 10% (with the CEO continuing not to participate in STI awards)
- + The quantum of the FY24 LTI awards has also been reduced by 10% (to maintain the equivalent face value of the FY23 awards after taking into account the increase in the Goodman security price over the course of the year)
- + Challenging operating EPS hurdles (6% to 11% compound annual growth over a 4-year testing period and commencing from a substantially higher base) have again been imposed.

The remuneration awards are particularly significant in the context of the Group's FY23 performance, where operating EPS increased 16%, well ahead of the broader market and our own initial guidance.

The Board is always mindful of the focus on overall remuneration levels and spends considerable time each year determining remuneration outcomes in the context of our complex international operations. We recognise the need on the one hand, to attract, retain and incentivise our employees while, on the other hand, to meet the range of expectations of our Securityholders.

Board appointments

To meet the changing nature of our strategic drivers and match our geographic focus, we have continued to evolve and create a contemporary and diverse Board whose members bring together a broad global skill set. In line with the Board's diversity target of 40/40/20 for Non-Executive Directors, Board appointments over the past 18 months have seen four out of five positions be filled by females and three out of five by directors based outside of Australia, reflecting the global nature of Goodman's business.

Following the appointment of Hilary Spann and Vanessa Liu in 2022, both of whom are based in the USA, we recently appointed three new directors.

- + Belinda Robson, based in Australia, was appointed in March and brings over 30 years' experience in retail and commercial funds management
- + George Zoghbi, also based in Australia, was appointed in April. He is the CEO of Arnott's Group and brings extensive international consumer packaged goods and supply chain experience
- + Kitty Chung, based in Hong Kong, was appointed to the Goodman Logistics (HK) Limited Board in July and has over 35 years audit and business advisory experience.

Belinda, George and Kitty will be standing for election to the Board at this year's Annual General Meetings. Full details of their experience are contained in the Notice of Meetings. Mark Johnson and I will stand for re-election.

I would like to acknowledge our long serving director, Phillip Pryke, who will be retiring from the Board in the first half of 2024. Phil, who chaired the Remuneration Committee from 2010 until earlier this year, has been instrumental in the formulation of the Group's remuneration strategies and to Board deliberations more generally. He has helped steward a successful international business with a strong shared culture and long-term focus that is a testament to the policies promoted by the Remuneration Committee. On behalf of the Board, I would like to thank Phil for his dedication and commitment to the Group over the last 13 years.

On behalf of the Board, I thank our customers and investors for their continued support, and all of Goodman's people for their significant contribution to the ongoing success of the business, in what has been a challenging economic environment.

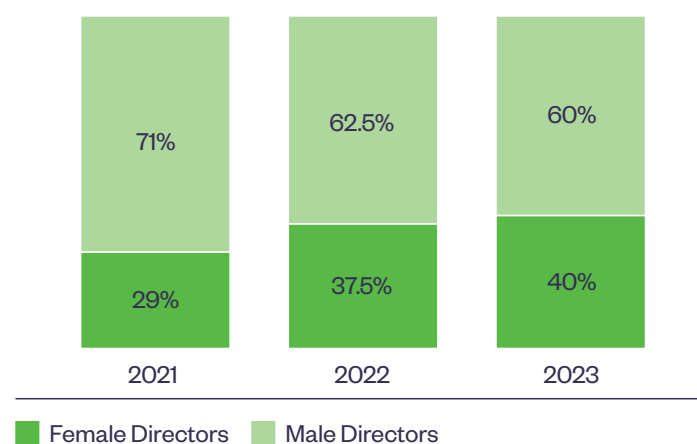
Sincerely



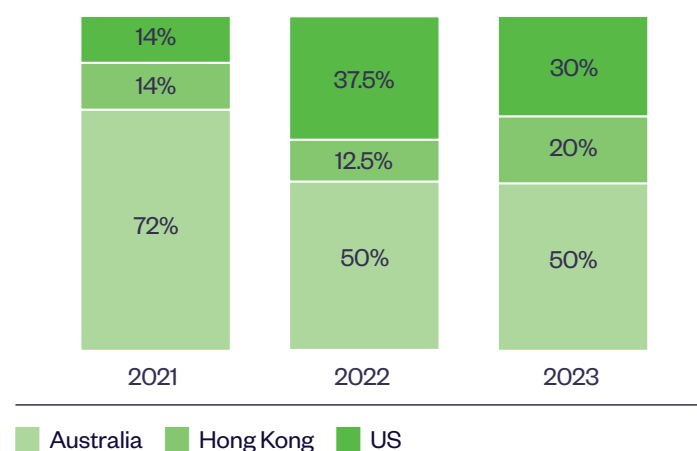
Stephen Johns
Independent Chairman

Goodman Board Diversity Metrics (Non-Executive Directors)

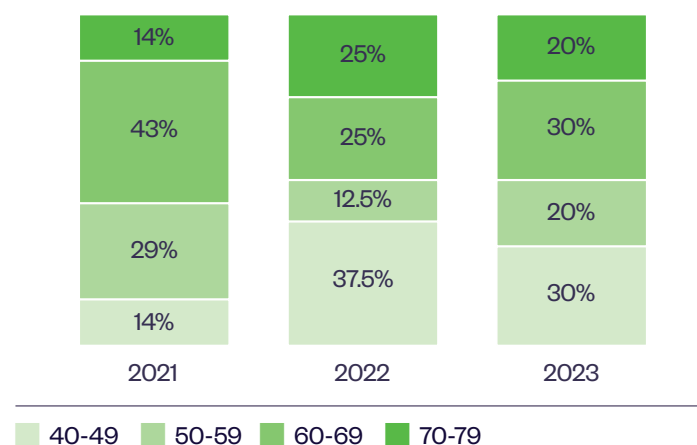
GENDER DIVERSITY



GEOGRAPHIC DIVERSITY



AGE DIVERSITY



Group CEO letter

Goodman Group has continued to perform strongly in FY23, delivering positive results for our Securityholders. The quality and location of our sites has underpinned rental growth, property values and development activity.

Key financial highlights include:

- + Operating profit¹ of \$1.78 billion, up 17%
- + Operating EPS² of 94.3 cents, up 16%
- + Statutory profit of \$1.56 billion
- + 9% growth in Net Tangible Assets.

Key operational highlights include:

- + Total assets under management (AUM) of \$81.0 billion, up 11% on FY22
- + High portfolio occupancy of 99%³
- + Development work in progress (WIP) of \$13.0 billion
- + On track to achieve key Group sustainability targets including 306MW of solar PV installed or committed in FY23, taking us to 75% of our 400MW 2025 target.

Strong fundamentals delivering \$1.7 billion operating profit

Despite the macro uncertainty, the structural forces in our markets remain intact. They continue to be driven by the need for more efficient and sustainable assets, the growth of artificial intelligence, and the digital economy. Against this backdrop, there remains limited supply in our targeted markets.

Underlying property fundamentals remain strong, with high occupancy of 99%³ across our stabilised portfolio. While like-for-like net property income growth has increased to 4.7%³, reversion to market remains significant. This should support growth in cash flows over the next few years, as well as valuations.

Development earnings were up 35% on FY22, increasing to \$1.3 billion. Our development workbook stands at \$13 billion with an annual production rate of approximately \$7 billion, and 99% of our developments were leased on completion. Yield on cost remains at 6.6% as our execution has been consistent, and we have continued to manage the rising cost environment.

Assets under management have grown 11% to \$81 billion, driven primarily by \$6.9 billion in development completions, in addition to acquisitions and revaluations across the Group and Partnerships. We delivered average total returns of 7.3% across the Partnerships and expanded the investment management platform with the establishment of four new Partnerships.

Balance sheet strength

Capital management discipline saw the Group maintain a strong balance sheet that provides flexibility to take advantage of opportunities. We raised \$1 billion of new equity commitments in Partnerships and completed \$6.4 billion of debt refinancing across the Group and Partnerships. The Group's gearing remains low at 8.3%⁴ while having \$3.1 billion of available liquidity, which provides financial flexibility. There is also significant liquidity of \$17.6 billion in the Partnerships⁵.

Value-add opportunities

Our strategy is also providing value-add opportunities, as we see increased competition for industrial sites from other uses such as data centres and residential rezoning. We've been developing data centres since 2010, and over that time they have grown to become a meaningful part of our business, in line with the rise of the digital economy. It currently constitutes approximately 30% of our \$13 billion development workbook, and importantly we have a pipeline of over 3GW which has significant value over time.

Guided by our 2030 Sustainability Strategy, we continue to integrate ESG into the business. Our focus throughout FY23 remained on incorporating sustainable design features into our developments and reducing carbon emissions in line with our targets validated by the Science Based Targets Initiative. Highlights include reaching around 75% of our 2025 solar PV target and contributing \$10.8 million to community causes via the Goodman Foundation and our people.

FY24 outlook

Goodman is positioned well for FY24. Competition for land from a wide range of uses is constraining the availability of space in our markets and creating new opportunities for the Group.

We expect to see further opportunities to add value through site acquisition and redevelopment and have continued to maintain a strong balance sheet, which combined with retained income, provides significant liquidity, stability and financial resources to enable this. Our capital Partners are both prudent and supportive of investment into the Partnership platform.

We believe Goodman can continue to deliver growth despite the risks associated with current market volatility and expect FY24 operating EPS growth to be 9%.

Team effort

These results would not have been possible without our global team who live our values of integrity, determination, innovation and sustainability. I'd like to thank them, you, our securityholders, as well as our customers, and all other stakeholders for your continued support.

Sincerely



Gregory Goodman
Group Chief Executive Officer

1. Operating profit comprises profit attributable to Securityholders adjusted for property valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items.
2. Operating EPS is calculated using operating profit and weighted average diluted securities of 1,890.7 million which includes 12.1 million LTIP securities which have achieved the required performance hurdles and will vest in September 2023 and September 2024.
3. Partnership industrial and warehouse assets (excludes office properties which have been earmarked for redevelopment) and represents 95% of Partnership assets.
4. 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 \$81.7 million (30 June 2022: \$133.3 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$34.2 million (30 June 2022: \$79.6 million).
5. Partnership investments are subject to Investment Committee approval.

Corporate Governance 2023

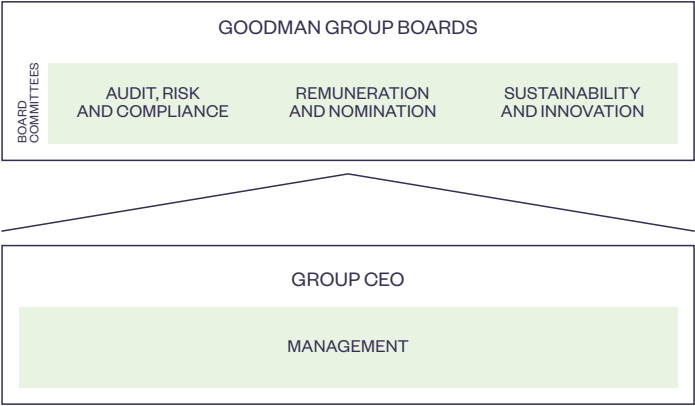
Goodman Group (Goodman or Group) is a triple stapled entity comprised of the Australian company, Goodman Limited (GL), the Australian trust, Goodman Industrial Trust (GIT) and the Hong Kong company, Goodman Logistics (HK) Limited (GLHK). The Boards of GL and Goodman Funds Management Limited as the responsible 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 our people with those 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.

Goodman's Corporate Governance Framework



In October 2022 the Board established the Sustainability and Innovation Committee to focus on sustainability matters and the impact of emerging technologies. In addition, in March 2023, the Board merged the Audit Committee and the Risk and Compliance Committee into the Audit, Risk and Compliance Committee, and the Remuneration Committee and the Nomination Committee into the Remuneration and Nomination Committee.

Goodman's Corporate Governance Statement can be viewed on our website at goodman.com/about-goodman/corporate-governance. Goodman's core corporate governance framework documents including Charters and Policies are available at goodman.com/about-goodman/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 2023

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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 2023 (FY23) 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 GL is identified as having acquired control over the assets of GIT and GLHK. The consolidated financial statements of GL 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

About Goodman

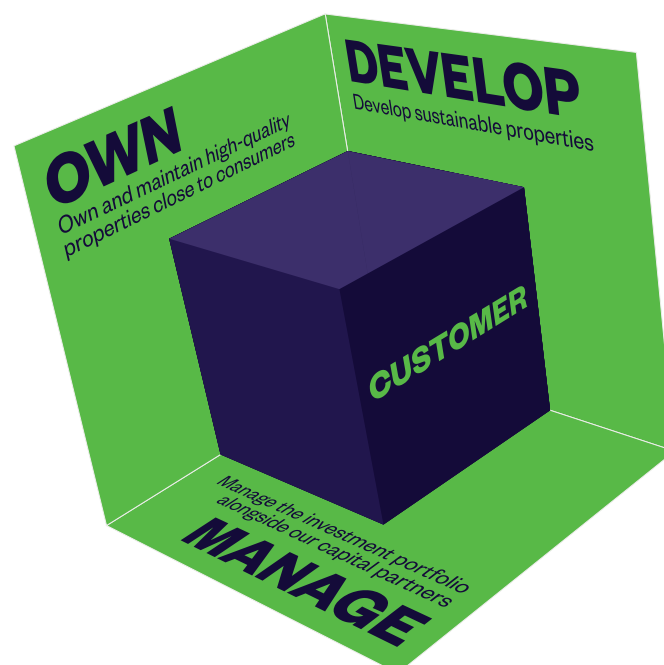
Goodman Group is a global industrial property specialist, founded in Australia by Greg Goodman over 30 years ago. We provide essential infrastructure for the functioning of a modern economy that is adapting to digital innovation and ESG developments. We do so by owning, developing and managing high-quality properties that are close to consumers in key cities around the world.

We have 432 properties located in key consumer markets in 14 countries across Asia Pacific, Continental Europe, the United Kingdom and the Americas. With \$81.0 billion of assets under management, we are the largest property group on the Australian Securities Exchange, a top 20 entity by market capitalisation, and one of the largest listed specialist investment managers of industrial property globally. We invest significantly alongside our capital partners in our investment Partnerships, and work to provide sustainable long-term returns for our investors.

Our property portfolio includes logistics and distribution centres, warehouses, light industrial, multistorey industrial, business parks and data centres. But we're not just about real estate. We're about making a difference. We're a passionate team who work together to create a better future for our customers, our people, and the communities we operate in. We believe in innovation, determination, integrity, and sustainability and continually looking where we can optimise, increase resilience and make space for greatness in everything we do.

Environmental, Social and Governance (ESG) is integrated into Goodman's long-term business strategy. We make investment decisions based on strategic long-term thinking and operate with clear sustainability goals. The Goodman Group annual sustainability report provides additional detail supporting the strategies discussed within this report.

Our integrated business model



Goodman's Own Develop Manage model focuses our business on our customers' current and future needs.

We own and maintain high-quality properties close to consumers, we develop properties with specifications that include significant sustainability features, and we manage our global investment portfolio to the highest standards. We work alongside our capital partners, which include sovereign wealth, pension and large multi-manager funds.

In each market, our dedicated local teams take care of all aspects of property asset and investment management, enabling us to provide a high level of customer service.

Directors' report

Operating and financial review (continued)

Our strategy

Providing essential infrastructure for the digital economy

The way we live, work and consume is evolving. Urbanisation and population growth are changing our cities. There's a greater expectation that organisations act sustainably and prioritise health and wellbeing. Consumers are demanding faster and greener, and the need for data is growing very rapidly especially with the growing prospects for artificial intelligence.

Customer demand for our properties is driven by structural drivers including the growth of e-commerce, supply chain optimisation, and ongoing growth in data storage requirements. Customers want higher speed to market along with greater resilience in their supply chain and more sustainable properties.

Goodman takes a long-term view. Our strategy is to own assets close to consumers in key global markets where barriers to entry are high, supply is limited, and demand is strong. We concentrate our portfolio where we believe we can create the most value for customers and investors.

Productivity, efficiency, sustainability

Within a highly competitive market, Goodman's long-term strategy is built on supporting our customers to operate in the most productive, efficient and sustainable way possible.

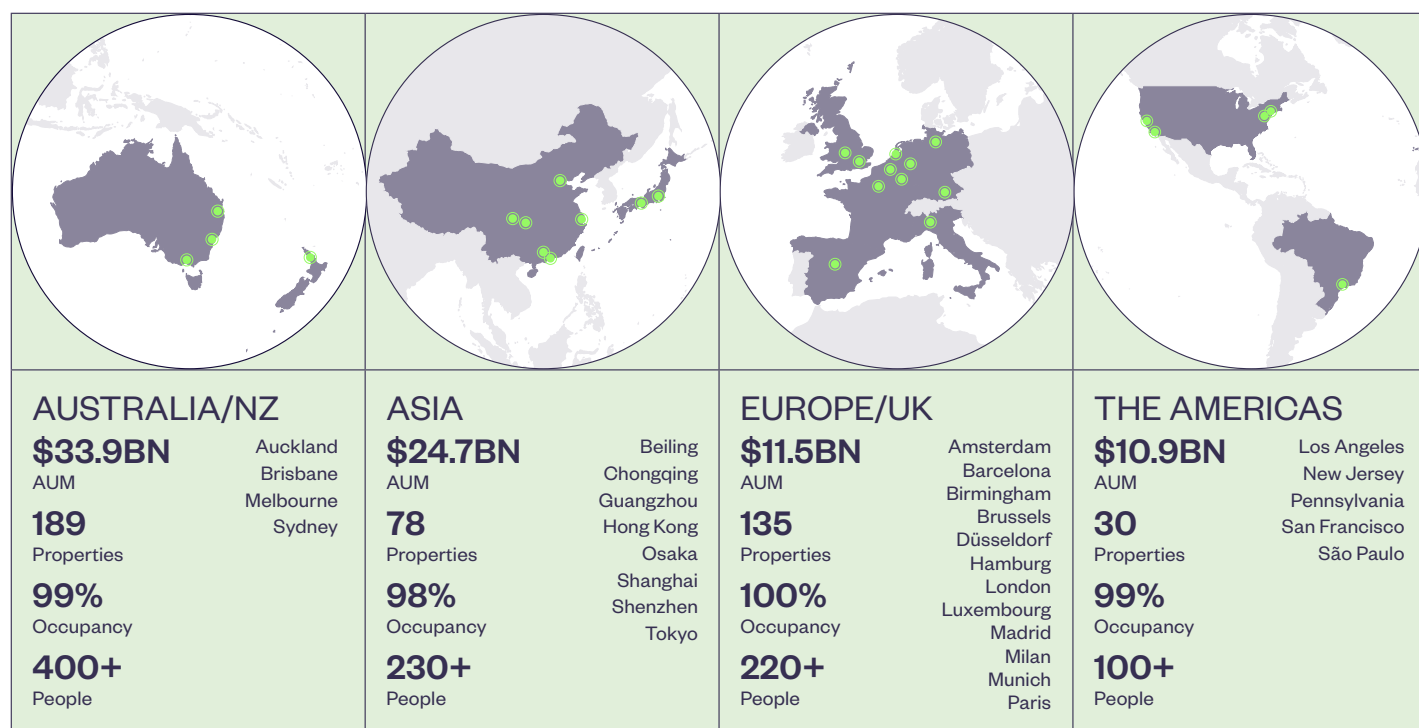
Our customers are looking to optimise their supply chain efficiency. It means the properties we develop for our customers can accommodate greater automation, are efficient and resilient, and well-located close to consumers. This can help our customers minimise costs and drive greater productivity from their properties.

Strategic locations

Our properties are strategically located in major consumer markets around the world and aim to meet the business, health and wellbeing needs of our customers. Our long-term horizon means we select sites with existing or future access to key transport networks and digital infrastructure.

This provides our customers with greater connectivity and speed to market, helping them optimise distribution to meet rising consumer delivery and service expectations now and in the future. The close proximity also provides the opportunity to reduce transport costs and related carbon emissions – and can make access to labour and commuting to work easier for our customers' workforce.

Our focus on urban infill assets or brownfields sites that can be redeveloped, means we can often regenerate existing sites and revitalise communities, while minimising land use and our impact on biodiversity. These sites are often ideal for multi-storey facilities, optimising space and providing customers with centrally located facilities.



Directors' report

Operating and financial review (continued)

Our values

Goodman's values are integral to the success of the business. They shape our culture and focus our teams on delivering high-quality service, and innovative property and investment solutions over the long term. As part of the annual performance review process, our people are assessed on their demonstration of the Goodman values of innovation, determination, integrity and sustainability.



- + **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 are building our business for the long-term. That is why we consider the planet and 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.

Our purpose

Goodman's purpose of making space for greatness recognises our stakeholders' needs and drives us to help them reach their full potential. Here's how we make space for greatness for each of our stakeholders.

Customers

Our customers come from a wide range of industries including e-commerce, logistics, retail, consumer goods, automotive, food production, pharmaceutical, life sciences, healthcare and technology. Regardless of their sector, they all need the right properties in the right locations. Proximity to their end consumer is key in order to increase speed to market and reduce transport costs and related emissions. Our customers are increasingly taking a strategic approach to their infrastructure decisions. They're boosting their investment in our buildings to maximise both supply chain efficiency and overall capacity as the digital economy grows.

To help our customers achieve their goals, we create spaces with sustainability in mind and provide them with excellent service, in high-quality locations. Here, the greatest ambitions of our customers can flourish as we give them the space and service support, they need to reach their goals.

Securityholders and investment partners

At Goodman, we invest in and manage the investment portfolio alongside our investment partners – some of the world's largest pension and sovereign wealth funds. We take a patient and long-term approach to managing capital and focus on growing a sustainable and resilient business over time.

This long-term approach guides our decision making. By owning, developing and managing high-quality properties in key locations, we provide both short-term and long-term benefits for our customers while simultaneously working to deliver sustainable returns for our Securityholders and investors.

Our people

Our team of around 1,000 people in 29 offices around the world is key to our long-term success. Skilled and diverse, team members use their expertise across the range of locations and cultures we operate in to deliver strong results. There are many opportunities for our people to get involved, to learn and to build rewarding careers.

Goodman encourages innovation. We look for people who want to realise their ambitions, challenge our thinking, drive change and develop new ideas that deliver a sustainable business – making a tangible difference today and long into the future. Through Goodman's Long Term Incentive Plan (LTIP), our team have a stake in our business, which motivates them to have a positive impact and take a long-term strategic approach to decision making.

Supply chains

We acknowledge that providing a high-quality sustainable offering to our customers is a team effort, requiring relationships built on integrity. Our network of suppliers extends from our general building contractors who we work with closely to build facilities for our customers, to the providers of our office supplies.

In each case, we respect the needs of our suppliers and provide an environment for them to succeed by setting high quality standards and practicing good business ethics across our operations and global supply chains. This ranges from implementing strategies against modern slavery to treating our suppliers as part of our team, keeping them safe and paying them fairly and on time. In return, we expect our suppliers to abide by our high standards and communicate these requirements within their own supply chains.

Our communities

As a long-term owner of properties, Goodman understands the importance of contributing to the local community. We build long-term relationships, engaging and collaborating with landowners, cities and municipalities, charity partners, and the community at large, to provide developments that meet our customers' needs and benefit the wider community.

Our properties add value to local communities and the wider economy by generating jobs, creating infrastructure, and enabling people to have the goods they need. They are developed in line with the local planning authorities' ambitions to build sustainable and resilient communities. Our urban infill developments, often on brownfield sites, optimise scarce land resources and support local regeneration. Our projects can also add social value – through the provision of cafes, fitness, and recreation facilities for the whole community to enjoy.

We add social value in other ways too – by working with local charities and community partners in all our markets to make a positive difference. Whether it's working with organisations on emergency response, prevention of violence against women and children, community and community health, children and youth, or food rescue and the environment, the Goodman Foundation provides tangible assistance that translates to real support where it's needed most.

As a global business headquartered in Sydney, Goodman considers the important role First Nations communities and peoples play in Australia. Our Reconciliation Action Plan (RAP) challenges us to think deeply about Goodman can contribute to a continent that is with fully reconciled with it First Nations peoples and this year our RAP received official endorsement. We have implemented cultural and community initiatives, and contributed \$1.7 million to First Nations peoples-focused community programs this year.

Directors' report

Operating and financial review (continued)

\$1,559.9M



PROFIT ATTRIBUTABLE TO SECURITYHOLDERS

\$3,414.0 million in FY22
Decrease of 54.3%
83.0¢ Statutory profit per security (FY22: 183.2¢)
1,878.6 million weighted average number of securities on issue

\$1,783.2M



OPERATING PROFIT

\$1,528.0 million in FY22
Increase of 16.7%

94.3¢



OPERATING PROFIT PER SECURITY¹

81.3¢ in FY22
Increase of 16.0%

30¢



DIVIDENDS/DISTRIBUTIONS PER SECURITY

30¢ in FY22
Stable, in line with financial risk management
objective to sustainably fund future investments

\$9.12



NET TANGIBLE ASSETS PER SECURITY

\$8.37 in FY22
Increase of 9.0%
1,883.8 million securities on issue

\$81.0B



TOTAL ASSETS UNDER MANAGEMENT

\$73.0 billion in FY22
Increase of 11.0%

\$13.0B

DEVELOPMENT WORK IN PROGRESS²

Annual production rate maintained at \$7.0 billion

8.3%

GEARING³

8.5% in FY22
Decrease of 20 basis points

\$3.1B

LIQUIDITY

No debt maturities in next 12 months
5.5 years weighted average debt maturity (FY22: 6.2 years)

48.3X

INTEREST COVER⁴

36.7 times in FY22

1. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during FY23, 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 unrealised 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 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 projected 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 \$81.7 million (2022: \$133.3 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$34.2 million (2022: \$79.6 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

Given the successful execution of the key facets of the business, the Group has delivered another year of strong operating performance. Operating profit increased by 16.7% to \$1,783.2 million (2022: \$1,528.0 million). This equates to an operating EPS of 94.3 cents (2022: 81.3 cents), up 16.0% on FY22.

The scarcity of space in our locations, and customers' need for more productive and sustainable solutions is supporting underlying property fundamentals. These are driving development demand and rental growth. Despite the global macro-economic volatility, the fundamental strength of our specific markets means that our portfolio has almost zero vacancy and there remains impetus to continue to execute on our development strategy with the annual production rate of new properties during the year averaging around \$7 billion.

Consequently, both property investment earnings and development earnings are up on the prior year, with property investment earnings increasing by 7.4% to \$531.4 million and development earnings increasing by 35.4% to \$1,301.2 million.

The Group's net property uplift, after tax, including our share of the Partnerships, was \$264.1 million (2022: \$2,326.3 million). On an aggregated basis, the adverse valuation impacts from capitalisation rate expansion were mitigated by the growth in market rents and valuation uplifts from developments reaching completion. In response to rising interest rates throughout the year, the weighted average capitalisation rate for the stabilised assets in the portfolios increased from 4.0% to 4.5%. At the same time, the expected growth in cash flows from the properties in the portfolio has increased markedly. While there were fewer real estate transactions in FY23 compared to prior years, those transactions that did occur demonstrated that valuations for good quality logistics real estate in the right locations remain supported.

Our portfolio has continued to grow organically, primarily through development activity, with external assets under management increasing from \$68.7 billion to \$76.3 billion and total AUM increasing from \$73.0 billion to \$81.0 billion. As a result of the higher AUM, revenues from management services, which includes base management fees and property services income, increased to \$438.7 million (2022: \$380.4 million). However, performance related income from management services was lower in FY23 at \$41.9 million (2022: \$208.0 million), primarily because during the year there were fewer performance fee assessment dates within the Partnerships.

Goodman's statutory profit attributable to Securityholders decreased by \$1,854.1 million to \$1,559.9 million (2022: \$3,414.0 million), principally due to the lower net property valuation result during the year.

The statutory profit is reported net of the accounting expense of the Goodman LTIP of \$286.0 million (2022: \$257.6 million) and a loss of \$225.8 million (2022: \$191.4 million) from derivative fair value movements (which is offset by a gain of \$360.6 million in the foreign currency translation reserve). These items, as well as the net property valuation gains, are excluded from the calculation of the Group's operating profit.

The strong financial position of the Group and Partnerships allows adaption to the volatile economic environment and the pursuit of opportunities that may emerge. At 30 June 2023, gearing was 8.3% (2022: 8.5%) and the cash and undrawn bank lines available to the Group were \$3.1 billion (2022: \$2.8 billion). Dividends and distributions relating to FY23 were maintained at 30 cents per security, equivalent to 32% of operating profit. The cash retained for future investment in the business enables the maintenance of a balance sheet and capital position that is consistent with our financial risk management targets given the significant development activity and the commensurate growth in investments that are expected in the near term.

Over the year, further progress was made on our ESG objectives, with FY23 targets met or exceeded. Further details will be provided in the Goodman Group Sustainability Report, which will be released before the 2023 Annual General Meeting (AGM).

Key operational highlights for FY23:

Property investment:

- + Property investment earnings of \$531.4 million (2022: \$494.6 million)
- + \$81.0 billion (2022: \$73.0 billion) of total AUM, of which the Group owns a whole or a part share
- + 4.7% (2022: 3.9%) like for like growth in net property income (NPI) from the assets in Partnerships
- + 99% (2022: 98.7%) occupancy across the Partnerships.

Management:

- + Management earnings of \$480.6 million (2022: \$588.4 million)
- + \$76.3 billion (2022: \$68.7 billion) of external AUM in Partnerships, of which \$68.8 billion (2022: \$60.6 billion) relates to stabilised properties
- + Partnerships reported 7.3% (2022: 21.4%) weighted average total return on net assets.

Development:

- + Development earnings of \$1,301.2 million (2022: \$960.7 million)
- + \$13.0 billion (2022: \$13.6 billion) of development WIP (by estimated end value)
- + 81% (2022: 85%) of WIP is currently conducted within, or pre-sold to, Partnerships or third parties.

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, including the Hong Kong SAR, and Japan), Continental Europe, the United Kingdom and the Americas (principally North America and including 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. 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 (including the Group's share of realised valuation gains booked in prior periods in respect of properties that had been repositioned – refer to page 23), plus interest income on loans to development joint ventures (JVs), 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 for the year attributable to Securityholders for FY23 are set out in the table below:

	Note	2023 \$M	2022 \$M
Analysis of operating profit			
Property investment earnings		531.4	494.6
Management earnings		480.6	588.4
Development earnings ¹		1,301.2	960.7
Operating earnings		2,313.2	2,043.7
Operating expenses		(372.5)	(349.3)
		1,940.7	1,694.4
Net finance expense (operating) ²		(13.5)	(39.3)
Income tax expense (operating) ³		(144.0)	(127.1)
Operating profit		1,783.2	1,528.0
Adjustments for:			
Property valuation related movements			
– Net gain from fair value adjustments on investment properties	5(e)	278.9	260.1
– Share of fair value adjustments attributable to investment properties in Partnerships after tax	5(f)	544.7	2,272.9
– Deferred tax on fair value adjustments on investment properties	4(d)	(47.7)	(206.7)
– Realisation of prior years' property valuation gains, net of deferred tax ¹		(511.8)	–
		264.1	2,326.3
Fair value adjustments related to hedging activities			
– Fair value adjustments on derivative financial instruments	14	(221.3)	(189.7)
– Share of fair value adjustments on derivative financial instruments in Partnerships	5(f)	(4.5)	(1.7)
		(225.8)	(191.4)
Other non-cash adjustments or non-recurring items			
– Share based payments expense	1	(286.0)	(257.6)
– Straight lining of rental income and tax deferred adjustments		24.4	8.7
		(261.6)	(248.9)
Profit for the year attributable to Securityholders		1,559.9	3,414.0

1. Consistent with the 2021 amendment of the Group's operating profit policy (refer to page 23), Goodman has categorised \$511.8 million of property valuation gains that were realised during the current financial year in development earnings. These gains, which occurred in prior periods, related to investment properties (both directly and indirectly held) that had been repositioned for development activities and subsequently sold. The amount of \$511.8 million represents the cumulative valuation gains (as required under accounting standards) since the most recent repositioning activities commenced with \$163.0 million relating to the disposal of directly held investment properties and \$348.8 million relating to the disposal of investment properties in the Partnerships. In the reconciliation of the operating profit to profit attributable to Securityholders, these gains have been notionally offset against the current year valuation gains so that they are not double counted.
2. Net finance expense (operating) excludes derivative mark to market movements, and in FY22 interest income from related parties of \$6.2 million that was reported as development earnings in the analysis above.
3. 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 FY23 of \$531.4 million (2022: \$494.6 million) increased by 7.4% on the prior year and comprised 23% of the total operating earnings (2022: 24%).

	2023 \$M	2022 \$M
Analysis of property investment earnings		
Direct	87.4	103.7
Partnerships	444.0	390.9
	531.4	494.6

	2023	2022
Key metrics:		
Weighted average capitalisation rate (WACR) (%)	4.5	4.0
Weighted average lease expiry (WALE) (yrs)	5.5	5.2
Occupancy (%)	99	99

Goodman's property portfolios are concentrated in large, urban locations where available space remains restricted, driven by significant customer demand, combined with relatively high barriers to entry and limited supply. Consequently, we have seen significant market rental growth across many locations globally. This is supporting strong underlying investment fundamentals and cash flows in our portfolio.

The majority of the directly held properties 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 decreased to \$87.4 million (2022: \$103.7 million) as a result of disposals to both Partnerships and external third parties or the deliberate creation of vacancy to facilitate their redevelopment. However, this was partly offset by further acquisitions and rental growth.

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 increased by \$53.1 million to \$444.0 million (2022: \$390.9 million). This was due to the stabilisation of developments in FY22 and FY23, 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, partly offset by higher interest expense. NPI from the Partnership portfolios in FY23 was up by 4.7% (2022: 3.9%) on a like for like basis compared to FY22 and average occupancy was maintained at 99%.

During FY23, the Group's share of property valuations from the stabilised portfolios (before deferred tax) was \$721.9 million (2022: \$2,138.8 million), which included valuation uplifts of \$465.3 million (2022: \$204.3 million) on developments that reached completion during the year.

The valuation gains were predominantly in Australia and North America, where growth in market rents and the valuation uplifts on development completions more than offset the impacts of higher capitalisation rates. At 30 June 2023, the WACR for the Group's portfolios was 4.5%, compared to 4.0% at the start of the financial year.

The operating income return on Goodman's investment in the stabilised portfolios held by the Partnerships was 3.5% compared to 4.2% in FY22 due to the higher asset base following the extremely strong valuation results in the prior year, partly offset by increased earnings. The net valuation uplifts in the current year resulted in a 7.3% total return for FY23. 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 FY23 of \$480.6 million (2022: \$588.4 million) decreased by 18% compared to the prior year and comprised 21% of total operating earnings (2022: 29%). This decrease was due to lower performance related income partly offset by higher base management and property service fee income.

Excluding performance related income, management fee income earned from the overall management of the Group's Partnerships was \$438.7 million (2022: \$380.4 million). The higher base management fees were primarily a result of the increased AUM. During FY23, external AUM increased to \$76.3 billion from \$68.7 billion, primarily due to acquisitions and developments in the Partnerships and the favourable impact of foreign currency translation.

External AUM

	FY2023 \$B
At the beginning of the year	68.7
Acquisitions	3.7
Disposals	(0.7)
Capital expenditure (developments)	2.8
Valuations	0.5
Foreign currency translation	1.3
At the end of the year	76.3

Performance fee revenue was \$41.9 million (2022: \$208.0 million), lower than the prior year in part because there were fewer performance fee assessment dates during the year and in part because of the volatility in financial markets, which makes assessments of future performance fees more difficult to predict, even when performance to date has exceeded the relevant performance hurdle. There still remains a significant backlog of potential fees that may be earned in the future if the relevant conditions are met.

For FY23, the Partnerships reported a weighted average total return on net assets of 7.3% (2022: 21.4%).

Development

In FY23, development earnings were \$1,301.2 million (2022: \$960.7 million), excluding unrealised valuation gains. This represents an increase of 35% on the prior year and development earnings comprised 56% of total operating earnings (2022: 47%).

The quality and location of our sites has underpinned the strength of the development workbook. The average annualised production rate (based on expected development end value) has been maintained at \$7.0 billion. The scarcity of available space has driven growth in rents, and combined with the Group's strong risk management and cost control, this has resulted in project margins being maintained, despite the volatility in global financial markets.

At 30 June 2023, WIP (based on development end value) was \$13.0 billion (2022: \$13.6 billion). The WIP is globally diversified across 81 projects and the majority of development activity was undertaken by or for the Partnerships and third parties (81% of WIP at 30 June 2023). The Group continues to selectively consider tightly held, strategic, large scale sites that display infrastructure-like characteristics, and sites that can be rezoned to higher and better use or value-add opportunities. The reduction in the total WIP has not had an adverse effect on the production rate as the projects that completed in the period included high rise properties in Hong Kong that have a much greater than average development period.

The Group remains focused on regeneration of existing land and buildings and enhancing value through intensification of use such as multi-storey developments. Goodman is continuing to add opportunities to its portfolio incrementally to support future development in constrained markets, while reducing its impact on the environment through brownfield developments. Brownfield developments and regeneration of sites continue to be greater than 50% of global WIP.

Data centre demand has risen markedly in recent times and the outlook for the near term remains strong. The providers of these services are adding to the demand for the Group's developments and simultaneously reducing the supply of space for other uses.

In locations where the supply of available land is restricted, the Group continues to commence certain projects prior to securing a pre-lease commitment. Consequently, of the \$6.0 billion of project commencements during the year, 57% had pre-committed leases. Commencing development without pre-leases in place is not unusual, and it is common to see leasing occur during the development period. Of the \$6.9 billion of development completions during the year, 99% had been leased, a reflection of the customer demand and the Group's ability to convert that into lease contracts during development.

Directors' report

Operating and financial review (continued)

Analysis of performance (continued)

Operating expenses

For FY23, operating expenses were \$372.5 million, up from \$349.3 million in the prior year, an increase of \$23.2 million.

Employee expenses were \$271.6 million, up from \$258.9 million in the prior year. The Group's aim is to keep base remuneration costs relatively steady, and instead use variable remuneration to incentivise staff. Globally, the Group has 971 employees at 30 June 2023, which is a relatively low number for a business of Goodman's size.

Administrative and other expenses increased to \$100.9 million from \$90.4 million primarily due to inflationary pressures in most regions, recommencement of international travel and higher expenditure on information technology.

Net finance expense (operating)

Net finance expense (operating), which excludes interest income on loans to development JVs, derivative mark to market and unrealised foreign exchange movements, decreased to \$13.5 million from \$39.3 million. This was due to higher interest earnings. There was also an increase in capitalised interest, with more development capital allocated directly by the Group.

Income tax expense (operating)

Income tax expense (operating) for FY23 at \$144.0 million (2022: \$127.1 million) increased compared to the prior year, primarily due to the nature and geographic location of the Group's growing earnings.

However, it should be noted that a significant proportion of Goodman's property investment 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.

On 9 May 2023, the Australian Government announced it will implement key aspects of Pillar Two of the OECD/G20 Two-Pillar Solution to address the tax challenges arising from digitalisation of the economy. The measure is not yet enacted, but the intention is that large multinational enterprises, such as Goodman, will be subject to a minimum global tax rate of 15%.

This would apply to Goodman from 1 July 2024.

Management will continue to review the impacts of the proposed changes when further details are available. There are no impacts arising from the proposed legislation in the results for the year ended 30 June 2023.

Capital management

Interest bearing liabilities

At 30 June 2023, the Group's available debt facilities and fixed rate long-term bonds totalled \$5.0 billion, of which \$3.3 billion had been drawn, and had a weighted average maturity of 5.5 years. The Group's cash and undrawn bank facilities totalled \$3.1 billion and there are no significant debt maturities until 2025.

At 30 June 2023, gearing was 8.3% (2022: 8.5%), which continued to be at the lower end of the Group's policy range of 0% to 25%. Interest cover was 48.3 times (2022: 36.7 times) and the Group continued to have significant headroom relative to its financing covenants. Goodman's strong investment grade credit ratings were unchanged over the year.

Including the Partnerships, the Group completed \$6.4 billion of debt financing to refinance and expand its capacity. The Group also secured \$1.0 billion in third party equity commitments, which will provide capacity for future acquisition and development opportunities. At 30 June 2023, the Partnerships had \$17.6 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 FY23 was maintained at 30 cents per security, a pay-out ratio of 32%, with 15 cents per security paid on 24 February 2023 and 15 cents per security to be paid on 25 August 2023. This retained income assisted the Group in obtaining 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 distribution for FY23:

- + Goodman Limited did not declare any dividends during the financial year (2022: \$nil)
- + Goodman Industrial Trust declared and accrued distributions of 25.0 cents per security (2022: 27.5 cents per security), amounting to \$470.4 million (2022: \$513.8 million)
- + GLHK declared and accrued a dividend of 5.0 cents per security (2022: 2.5 cents per security), amounting to \$94.2 million (2022: \$46.7 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 \$278.9 million (2022: \$260.1 million). The uplift in value was primarily due to repositioning activities on sites in Australia and included \$55.3 million that related to investment properties under development.

Goodman's share of net gains from fair value adjustments before deferred tax attributable to investment properties in Partnerships was \$508.1 million (2022: \$2,330.8 million), with increases in market rents and uplifts on stabilisation of developments partly offset by an expansion in capitalisation rates. This valuation uplift comprised \$498.3 million (2022: \$1,878.7 million) in respect of the stabilised portfolio, including the uplifts on developments that stabilised during the year, and \$9.9 million (2022: \$452.1 million) from investment properties that were still under development at 30 June 2023.

At 30 June 2023, the WACR for Goodman's stabilised property portfolios (both directly held and Partnerships) was 0.5 percentage points higher than 30 June 2022, increasing from 4.0% to 4.5%.

Fair value movements on properties subject to contracts for disposal

Given the increase in size and scale of the Group's projects over the past few years, it has become common for development periods to extend beyond 12 months. Consequently, these properties have become subject to more significant fair value adjustments at reporting dates. If the Group was to apply its historic operating profit policy, then these valuation movements would not form part of the Group's operating profit, although they would still be reflected in the Group's statutory profit attributable to Securityholders (as a valuation movement).

In the 2021 financial year, in order to better align performance measurement with the commercial outcomes that are linked to the cash generation from these repositioning activities, the Directors amended the Group's operating profit policy in respect of a property disposal. Under the amended policy, any property valuation movements arising between the date of commencement of the most recent repositioning activities and the date of disposal should be reported as part of development earnings, but only in the reporting period when the property has been sold. The effect of this is that the operating profit will reflect the cash gain in the period in which the transaction completes.

During FY23, \$511.8 million of gains were realised on completion of such transactions and as a consequence this amount has been reported as part of the Group's operating profit for FY23. In the reconciliation of the operating profit to profit attributable to Securityholders, these gains have been notionally offset against the current year valuation gains so that they are not double counted.

At 30 June 2023, the Group's share of cumulative unrealised valuation gains on properties that were subject to contracts for disposal but had not yet been derecognised was \$271.3 million (2022: \$429.6 million). These gains have been reported as part of the Group's statutory profit attributable to Securityholders in either the current or prior periods and would form part of future years' operating profit if and when the transactions are settled.

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

Fair value adjustments relating to hedging activities

The amount reported in the income statement associated with the Group's derivative financial instruments was a net loss of \$225.8 million (2022: \$191.4 million net loss). This was primarily due to the weakening of the AUD against most of the Group's foreign currencies, partly offset by a strengthening of the AUD against the JPY and the impact of higher interest rates on the interest rate hedge contracts.

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 economic 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 FY23, the movement in reserves attributable to foreign currency movements was a gain of \$360.6 million (2022: \$145.3 million gain).

Other non-cash adjustments or non-recurring items

The principal other non-cash adjustments or non-recurring items for FY23 related to the share-based payments expense of \$286.0 million (2021: \$257.6 million) for Goodman's LTIP. The increase was primarily due to the movement in the Goodman security price, from \$17.84 to \$20.07 in FY23 compared to a decrease from \$21.17 to \$17.84 in FY22, which resulted in a higher expense on remeasurement of the cash settled performance rights.

Directors' report

Operating and financial review (continued)

Statement of financial position

	2023 \$M	2022 \$M
Stabilised properties	2,086.2	2,387.1
Cornerstone investments in Partnerships	14,328.7	11,903.9
Development holdings	4,565.4	4,455.2
Intangible assets	850.1	795.4
Cash and cash equivalents	1,360.1	1,056.0
Other assets	836.7	834.8
Total assets	24,027.2	21,432.4
Interest bearing liabilities	3,292.9	2,832.2
Other liabilities	2,709.5	2,175.4
Total liabilities	6,002.4	5,007.6
Net assets	18,024.8	16,424.8

At 30 June 2023, the carrying value of the directly held stabilised investment properties, which included assets held for sale of \$509.6 million (2022: \$598.1 million), decreased by \$300.9 million to \$2,086.2 million at 30 June 2023. This was due to disposals of \$918.9 million, partly offset by acquisitions and development expenditure of \$131.9 million, development completions of \$233.0 million, valuation uplifts of \$223.6 million and foreign currency translation gains of \$27.4 million.

The value of Goodman's cornerstone investments in Partnerships, which excludes the Group's share of their development assets, increased by \$2,424.8 million to \$14,328.7 million. The movements during the year included the Group's net investments in the Partnerships of \$340.0 million, the valuation uplifts (net of deferred tax) across the portfolios of \$536.8 million, transfers from development properties on stabilisation of \$1,231.8 million and the impact of foreign currency translation \$245.2 million.

Goodman's development holdings increased by \$110.2 million to \$4,565.4 million (2022: \$4,455.2 million). Overall, activity levels were maintained across the year, with the Group's development WIP (as measured by estimated end value) at 30 June 2023 being slightly lower at \$13.0 billion (2022: \$13.6 billion) and the average production rate being consistent with the prior year at \$7.0 billion per annum. However, there has been a change in the mix of development holdings between directly held assets and the Group's share of the Partnerships.

The directly held development assets (both inventories and investment properties) increased by \$639.3 million to \$2,615.7 million (2022: \$1,976.4 million), with acquisitions and capital expenditure of \$1,023.8 million, valuation uplifts of \$55.3 million and foreign currency translation gains of \$66.1 million. These increases were partly offset by disposals and transfers to stabilised assets at completion of \$506.7 million.

The Group's share of development assets in the Partnerships decreased by \$529.1 million to \$1,949.7 million (2022: \$2,478.8 million). This was due to a significant level of transfers to stabilised assets at completion of \$1,231.8 million, disposals to third parties at completion of \$186.8 million partly offset by acquisitions of \$818.0 million, foreign currency translation gains of \$50.0 million and valuation uplifts of \$9.9 million (\$7.9 million, net of deferred tax).

The principal goodwill and intangible asset balance is in Continental Europe. The movement during the year related to changes in foreign currency exchange rates. There were no impairments or reversals of impairments.

The movement in the cash balance during the year is explained in the cash flows section of this report. In respect of the interest bearing liabilities, Goodman has renegotiated a number of bank facilities to provide ongoing funds for the business and to repay the foreign private placement of ¥12.5 billion that matured in April 2023. There are no maturities in the next 12 months and all drawn debt is disclosed as non-current.

Other assets included receivables, right of use assets from the Group's operating leases (primarily office premises) and the fair values of certain derivative financial instruments, which hedge the Group's interest rate and foreign exchange rate risks. There were no material movements during FY23.

Other liabilities included trade and other payables, lease liabilities, the provision for distributions to Securityholders, fair values of certain derivative financial instruments and tax liabilities (including deferred tax). The increase in other liabilities is primarily due to development related payables and increased liabilities associated with the Group's derivative financial instruments.

Cash flows

	2023 \$M	2022 \$M
Operating cash flows	1,284.2	841.0
Investing cash flows	(716.0)	(1,001.5)
Financing cash flows (excluding dividends and distributions)	253.3	856.9
Dividends and distributions paid	(562.1)	(557.2)
Net increase in cash held	259.4	139.2
Cash and cash equivalents at the beginning of the year	1,056.0	920.4
Effect of exchange rate fluctuations on cash held	44.7	(3.6)
Cash and cash equivalents at the end of the year	1,360.1	1,056.0

Operating cash flows

Operating cash flows of \$1,284.2 million (2022: \$841.0) million were higher than the prior year. This was mainly due to higher net cash inflows associated with development inventories and an increase in cash received from the Partnership distributions, partly offset by an increase in other cash payments and lower cash receipts from portfolio performance fees.

The net development cash inflow was \$827.1 million (2022: \$367.1 million). This has remained the primary reason for the difference between operating cash flow and operating profit. The gross receipts from development activities were lower than the prior year at \$1,416.7 million (2022: \$1,587.8 million) primarily due to the timing of inventory completions. The gross payments for development activities were much lower than the prior year at \$589.6 million (2022: \$1,220.7 million), which was due to the nature and structure of the Group's development activities – a greater proportion of the Group's development spend has been reported in investing cash flows during FY23, either as payments for investment properties or investments in Partnerships. Nevertheless, the Group has continued to invest in inventory and expects to recover its investments and generate a margin from them in future periods.

The increase in other cash payments was due to an increase in operating costs, driven by inflationary increases in wages and salaries and additional spend in areas such as travel and information technology. Other cash payments also include the outflow from the cash settled performance rights under the LTIP. Similar to the prior year, new securities were issued (reported in financing cash flows) to fund the cash settled portion of the LTIP. As a result, the LTIP was cash neutral overall.

The distributions received from Partnerships in FY23 were \$583.5 million (2022: \$442.5 million). The Partnerships continued to distribute their net cash flows from property investment (rental income) and the Goodman share of these earnings increased due to the improved profitability of the Partnerships. However, the increase was also partly the result of the timing of distributions associated with the Group's share of development activities in the Partnerships.

Portfolio performance fee revenues are reported under cash receipts from management and other activities. The timing of receipts of portfolio performance fees is dependent on the assessment dates for the Partnerships although revenues may be recognised in advance of the assessment dates where the returns and the economic conditions mean that the receipt of revenue is highly probable. During FY23, the cash flows have been in line with the revenue recognised but were lower than the prior period because there were fewer performance fee assessment dates in FY23.

Investing cash flows

Investing net cash outflow was \$716.0 million (2022: \$1,001.5 million), a decreased outflow of \$285.5 million compared to the prior year. During FY23, the principal investing cash outflows related to acquisitions of directly held properties mainly outside Australia of \$441.2 million (2022: \$431.7 million) and to investments in the Group's Partnerships of \$1,243.9 million (2022: \$1,332.3 million). The Group received proceeds of \$629.7 million (2022: \$671.8 million) from the disposals of investment properties in Australia and \$352.4 million (2022: \$4.4 million) from the partial disposal of its investment in a Partnership joint venture in Australia. There were no capital returns from the Partnerships during the year but in the prior year the Group received \$91.8 million following capital management initiatives in two of the Partnerships.

Financing cash flows

Financing net cash outflow (net of dividends and distributions) was \$308.8 million, a movement of \$608.5 million compared to a net cash inflow of \$299.7 million in the prior year.

Proceeds from borrowings and derivative financial instruments were \$1,029.3 million (2022: \$1,466.5 million). This included cash inflows in respect of new bank facilities of A\$192.9 million and drawdowns on the Group's existing revolving bank loans of \$836.4 million.

Payments on borrowings and derivative financial instruments were \$772.0 million (2022: \$789.3 million). This included repayments on the Group's revolving bank loans of \$550.0 million (2022: \$768.4 million), the redemption of the \$135.3 million (JPY12.5 billion) private placement in April 2023 and payments on derivative maturities of \$84.5 million.

The net cash flow from related party loans was an outflow of \$58.0 million (2022: \$111.4 million net inflow). These loans are provided by the Group to fund developments in the Partnerships (including JVs) and are repaid either at completion or when the Partnership obtains its own external debt.

The net proceeds from the issue of stapled securities of \$67.2 million (2022: \$109.7 million) were directly used to fund obligations under the LTIP that have been reported as part of the Group's operating cash flows.

The other principal financing cash outflows were the distributions paid to Securityholders of \$562.1 million (2022: \$557.2 million).

Directors' report

Operating and financial review (continued)

Outlook

Goodman has developed significant expertise and a deliberate strategy to target high barrier to entry markets, providing our customers access to facilities where they are scarce. In particular, the rapid proliferation of demand for data storage and processing capacity is supplementing demand and reducing the available supply for warehouses and logistics centres. This has positioned the Group well for future growth.

In the near term, market conditions are likely to be volatile and the risks associated with rising inflation, interest rates and slowing economic growth are elevated. This may impact consumers; however, they continue to seek faster and more flexible delivery, which requires ongoing intensification of warehousing in urban locations to optimise delivery and improve productivity. Our business remains agile, focused on the changing consumption habits across the physical and digital space and, as a result, the evolving requirements of customers around the world.

Demand is currently exceeding supply in our markets, supporting our development-led growth strategy. This is producing well located assets for the Group and our Partnerships. In addition to strategic site acquisitions, the opportunities for regeneration of existing assets support our future development activities by providing value add opportunities. This can assist in the reduction of the environmental impacts of our business activities. The development production rate, project management and depth of customer demand are supporting the outlook for development earnings into FY24.

In addition, the Group continues to maintain a strong balance sheet, which combined with retained income, provides significant liquidity, stability and financial resources.

The outlook for property investment and management earnings remains positive, as the customer demand and supply constraints in the Group's markets provide support for both rental growth and a high level of occupancy. Investment and management earnings will also benefit from the completion of ongoing developments. Absent a material adverse movement in property valuations, development completions and rental growth are also expected to support growth in AUM.

Goodman has made a strong start to FY24 with a significant development workbook underway, continued underlying structural demand from customers and a robust capital position across the Group and Partnerships. We believe the Group is positioned to continue to deliver growth despite the risks associated with current market volatility and expects to achieve operating EPS growth of 9.0% in FY24.

The Group sets financial performance targets annually and reviews them regularly. Forecasts are subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events.

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 regularly.

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 Audit, 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, financial risk management, tax policies and information technology.

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

Risk area	Mitigation
<p>Capital management (debt, equity and cash flow)</p> <p>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.</p>	<ul style="list-style-type: none"> + Monthly preparation of a consolidated Capital Management Plan, which is reported to the Group Investment Committee and the Finance and Treasury management committee + Financial reporting to the Goodman Board + Weekly cashflow monitoring and reporting + Goodman Board approved Financial Risk Management (FRM) policy + Capital partnering transfers risks into Partnerships + Low gearing, ample liquidity and appropriate hedging and duration to absorb market shocks + Diversity and tenure of debt funding sources and cash on deposit + Appropriate hedging quantities and duration in accordance with FRM policy + Distribution pay-out ratio consistent with contribution of development earnings + Long lease terms with prime customers + Strong assets that can generate better rental outcomes and growth + Key urban market strategy – urban, infill locations support re-usability of property + Insurance program (both Goodman's and key counterparties) including project specific insurance
<p>Economic and geopolitical environment</p> <p>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.</p> <p>A continued increase in geopolitical tension between countries could have potential consequences on our people, operations and capital partners.</p> <p>In the near term, market conditions are likely to be volatile and the risks associated with rising inflation, interest rates and slowing economic activity are elevated.</p>	<ul style="list-style-type: none"> + Global diversification of Goodman's property portfolios + Focus on core property portfolios in key urban market locations and adaptable assets + Annual 5-year business strategy + Focus on cost management + Annual risk assessment and profile + Annual budget + Regular independent property valuations + Asset planning program + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks + Adherence to FRM policy as it relates to hedging of interest rates and currencies + Review of customer credit + Co-investment with local capital partners
<p>Governance, regulation and compliance</p> <p>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.</p>	<ul style="list-style-type: none"> + Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Group Head of Risk and Compliance Officer + Review of transactions by the Group Investment Committee + Annual compliance plan audits + Partnership investment committees independent of the manager + Global tax risk management framework + Regional and Group Executive declarations and sign-offs + Verification process and sign-off of public documents + Comprehensive insurance program, covering property, liability, Directors and Officers and Professional Indemnity + Continuous disclosure regime – regular group management meetings

Directors' report

Risks (continued)

	Risk area	Mitigation
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.	<ul style="list-style-type: none"> + Competitive remuneration structures, in particular performance rights under the LTIP, with ALL staff having ownership + Succession planning for senior executives and key roles + Performance management and staff review + Overall performance review ratings to assess culture and engagement + Learning and development program to enhance skills sets + Goodman Values program + Staff engagement through team strategy days, town halls and the (good) life program.
Development	Development risks may arise from location, site complexity, planning and permitting, infrastructure, size, duration along with general contractor capability.	<ul style="list-style-type: none"> + Review and approval of development projects by the Group Investment Committee and relevant Partnership Investment Committee + Targeted returns are higher for the size and complexity of the project + Engaging general contractors that are better capitalised + Senior oversight and responsibility by Executive Directors + Capital partnering transfers risks into partnerships + Specialised staff who understand the development process, including development staff by region + Goodman defined design specifications, which cover environmental, technological, and safety requirements, protecting against short term obsolescence + Fixed price, design and construct contracts with appropriately capitalised contractors + Redevelopment of older assets to intensify use + Insurance program (both Goodman's and key contractors), including project specific insurance + Spread and diversification of projects + 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 + Implementation of Goodman policies and procedures (e.g. reporting, Safety framework and delegation of authority) + Leasing prior to reaching development completion.
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.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations support re-usability of property + Adaptable and reusable building design – ease to reconfigure for another customer + Geographic diversification – capital allocation across regions and location of properties + 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 + Innovation and technology strategy – visibility and insight into technology trends along with direct investment into technology start-ups + Competition analysis and behaviour.
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.	<ul style="list-style-type: none"> + Corporate Responsibility and Sustainability policy + 2030 Sustainability Strategy and reporting against those targets + Assessment of individual assets to improve resilience and implementation of sustainability initiatives + Sustainability guidelines for development projects including embodied carbon measurement and offset + Review and approval of acquisitions and development projects by the Group Investment Committee and relevant Partnership Investment Committee, including consideration of climate risks in the due diligence process and minimum property specifications + Adoption of the Task Force on Climate-Related Financial Disclosures recommendations as a framework for the assessment, management and disclosure of climate risks + Investor, customer and regulatory requirements + Verification process and sign-off of public sustainability documents + Adherence to Group Procurement Policy for selection and purchase of Carbon Credits + LTIP performance directly linked to meeting the Group's sustainability initiatives.

Risk area	Mitigation
Asset and portfolio Inability to execute asset planning and management strategies, including leasing risk exposures, can reduce returns from Goodman's portfolios.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations where customer demand is strongest + In-house property management team + Diversification of customer base and lease expiries + Review and approval of significant leasing transactions and development projects by the Group Investment Committee and relevant Partnership Investment Committee + Capital expenditure programs keeping pace with property lifecycle + Implementation of Goodman policies and procedures (e.g. reporting, Safety framework, sustainability measures and minimum design specifications) + Insurance program including Public Liability, including property risk assessment reports + Customer risk assessments + Asset plans – in particular categorisation of assets, maintenance program, customer engagement + Portfolio strategy – locations, type of building.
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.	<ul style="list-style-type: none"> + Standardised governance structures around Partnerships, which includes: <ul style="list-style-type: none"> – Relationship deeds articulating service arrangements – Pre-emptive rights + Independent governance structure + Diversification of capital partners and fund expiries, including local investors. Analysis of alternate capital sources + Goodman's cornerstone investment in each Partnership and the underlying strength of the Manager + Appropriate Management contracts across all Partnerships + Contractor pre-selection and tendering + Diversification of customer base and lease expiry + Investment metrics established for GMG and Partnerships, setting limits including: <ul style="list-style-type: none"> – Speculative development – Geographic and customer exposure + FRM policy establishing criteria for financial institution counterparties.
Information and data security Maintaining security (including cyber security) of Information Technology (IT) environment and data, ensuring continuity of IT infrastructure and applications to support sustainability and growth and prevent operational, regulatory, financial and reputational impacts.	<ul style="list-style-type: none"> + Strategic roadmap for delivery of secured IT systems, benchmarked against the Australian Signal Directorate's Essential maturity model and the United States National Institute of Standards and Technology Cyber Security framework + Proactive monitoring, review and testing of infrastructure and system behaviour + Incident response, disaster recovery and business continuity planning + Penetration testing, vulnerability scanning and network review to identify and remediate + IT Dashboard Reporting to the Audit, Risk & Compliance Committee + Phishing awareness program implemented to educate and test employees' awareness and vigilance in avoiding threats + Cyber security awareness/training + Decommissioning legacy systems + Transition from employee password reliance + Speed of threat/vulnerability detection + Data system back-up/restore testing + Phishing simulation testing/reporting + Reporting and compliance with Essential Eight, baseline strategies to mitigate cyber security incidents, developed by the Australian Cyber Security Centre.

Directors' report

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY

Board of Directors

Stephen Johns Independent Chairman

Stephen is the Independent Chairman and 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: Chair of the Remuneration and Nomination Committee and member of the Audit, Risk and Compliance Committee and Sustainability and Innovation Committee (as at 30 June 2023).

Skills, Experience and Expertise

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.

Stephen has previously been Chairman of Brambles Limited, Leighton Holdings Limited and Spark Infrastructure Group.

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
- + Director of European-Australian Business Council.

Directorships of Other Listed Entities in the Past Three Years

- + Brambles Limited (August 2004 to June 2020).

Gregory Goodman Group Chief Executive Officer

Greg is the Managing Director of Goodman Limited and Goodman Funds Management Limited and Group Chief Executive Office 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

Greg 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 industrial property. Greg is the 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 Goodman and its Partnerships
- + Director of Goodman Foundation Pty Limited as trustee of the Goodman Foundation.

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: Chairman of the Sustainability and Innovation Committee and member of the Remuneration and Nomination Committee (as at 30 June 2023).

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
- + Director of Wyuna Regenerative Ag Pty Limited
- + Director of Infinium Logistics Solutions UK Limited
- + Director of The Opportunity Network
- + Director of Ility inc.

Mark G. 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, Risk & Compliance Committee and member of the Remuneration and Nomination Committee (as at 30 June 2023).

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. He was until recently Chairman and a director of G8 Education Limited and was formerly an independent director of Coca-Cola Amatil Limited and Westfield Corporation Limited.

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

Other Directorships and Offices

- + Director of Aurecon Limited
- + Director of Boral Limited
- + Director of Metcash Limited
- + Director of Sydney Airport Limited (and its subsidiaries).

Former Directorships of Other Listed Entities in the Past Three Years

- + Coca-Cola Amatil Limited (December 2016 – May 2021)
- + G8 Education Limited (January 2016 – November 2021).

Vanessa Liu Independent Director

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

Appointed: 1 June 2022.

Board Committees: Member of the Sustainability and Innovation Committee (as at 30 June 2023).

Skills, Experience and Expertise

Vanessa is an experienced technology business leader and currently Co-Founder and CEO of SaaS technology company Sugarwork, and an independent director of ASX-listed artificial intelligence company Appen Ltd (since March 2020). She has more than twenty years of experience in the technology sector having started her career at McKinsey in the Telecom, Media & Technology Practice.

She was most recently Vice President of SAP:IO North America, SAP's early-stage venture arm, where she recruited and accelerated 87 enterprise software startups. Prior to SAP, Vanessa was Chief Operating Officer at Trigger Media Group, a digital media venture studio, and co-founded Trigger's portfolio companies: digital media company InsideHook and SaaS technology company Fevo (where she remains a Board Observer).

Vanessa graduated magna cum laude highest honours with an AB in Psychology from Harvard University and cum laude with a JD from Harvard Law School. She was a Fulbright Scholar at Universiteit Utrecht in the Netherlands. She serves as a member of Harvard University's Board of Overseers and is a past President of the Harvard Alumni Association.

Other Directorships and Offices

- + Director of Appen Ltd
- + CEO/President/Director of Sugarwork, Inc.
- + Member, Harvard University Board of Overseers.

Rebecca McGrath Independent Director (now retired)

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

Appointment: 3 April 2012 and retired on 28 February 2023

Board Committees: Chairman of the Risk and Compliance Committee and member of the Audit Committee until her retirement in February 2023. Rebecca resigned as a Member of the Nomination Committee on 1 October 2022.

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 last role as a senior executive was as Chief Financial Officer of BP Australasia. Rebecca was formerly a Chairman of OZ Minerals Limited (until April 2023), 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 and a member of The Australian British Chamber of Commerce Advisory Council.

Other Directorships and Offices

- + Director of Macquarie Group Limited and Macquarie Bank Limited (since January 2021)
- + Director of Investa Wholesale Funds Management Limited, Investa Office Management Pty Limited and Investa Commercial Property Fund
- + 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)
- + OZ Minerals Limited (November 2010 to April 2023).

Directors' report

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

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 was formerly CEO of Goodman's European business and has oversight and is currently the Acting CEO of Goodman's Brazilian operations. Danny has been with Goodman since 2006 and has over 20 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. 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: Member of the Audit, Risk and Compliance Committee and Sustainability and Innovation Committee (as at 30 June 2023).

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
- + Director of Dairy Technology Services Limited.

Belinda Robson

Independent Director

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

Appointed: 1 March 2023.

Board Committees: Member of the Audit, Risk and Compliance Committee (as at 30 June 2023).

Skills, Experience and Expertise

Belinda has over 30 years' experience in the property industry, with specific expertise in retail and commercial property funds management in the Asia Pacific. Prior to becoming a non-executive director, Belinda was an executive at Lend Lease Investment Management and the fund manager for Australian Prime Property Fund Retail where she was responsible for developing and implementing the fund strategy.

Belinda has a Bachelor of Commerce with Honours (Marketing) from the University of New South Wales.

Other Directorships and Offices

- + Director of Region Group
- + Director of GPT Funds Management Limited
- + Director of Lendlease's Asian Retail Investment Funds.

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 25 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.

Hilary Spann Independent Director

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

Appointed: 4 April 2022.

Board Committees: Member of the Sustainability and Innovation Committee (as at 30 June 2023).

Skills, Experience and Expertise

Hilary has an extensive background in public and private equity markets and is currently a senior executive at NYSE-listed Boston Properties, Inc. (NYSE: BXP), based in New York. There, she is responsible for all aspects of the office developer, owner, and manager's portfolio in the New York region. She was previously the Head of Real Estate for the Americas at CPP Investments and prior to that she held a number of senior real estate roles at JPMorgan in the United States.

Hilary graduated from the Georgia Institute of Technology with a BS and a Masters in City Planning, both from the College of Architecture. She also studied architecture at L'École Nationale Supérieure D'architecture de Paris – La Villette.

Other Directorships and Offices

- + Executive Vice President, Boston Properties, Inc. (NYSE: BXP)

George Zoghbi Independent Director

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

Appointed: 11 April 2023

Board Committees: Member of the Sustainability and Innovation Committee (as at 30 June 2023).

Skills, Experience and Expertise

Currently the Chief Executive Officer of The Arnott's Group following its acquisition by private equity group KKR in 2020, George has extensive international consumer packaged goods and supply chain experience. He is also a Director of Brambles Limited and a Strategic Advisor to Altimetrik – a US-based digital and IT solutions company.

Previously, George was Chief Operating Officer – US Businesses at Kraft Heinz and prior to that Chief Operating Officer at Kraft Foods Group. He has also held senior roles with Fonterra Cooperative and Associated British Foods.

George has a Diploma of Business, Marketing, as well as a Master of Enterprise from the University of Melbourne. He has also completed an Accelerated Development Programme at MC London Business School.

Other Directorships and Offices

- + Chief Executive Officer of The Arnott's Group
- + Director of Brambles Limited
- + Director of Altimetrik.

Directorships of other listed entities in the past three years

- + Former Director of Kraft Heinz Company (NASDAQ: KHC) (April 2018 to April 2021).

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' report

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:

Directors	Board meetings		Audit Committee meetings		Risk and Compliance Committee meetings		Audit, Risk and Compliance Committee meetings ¹		Remuneration Committee meetings		Nomination Committee meetings		Remuneration and Nomination Committee meetings ²		Sustainability and Innovation Committee meetings ³	
	Held ⁴	Attended	Held ⁴	Attended	Held ⁴	Attended	Held ⁴	Attended	Held ⁴	Attended	Held ⁴	Attended	Held ⁴	Attended	Held ⁴	Attended
Stephen Johns	8	8	3	3	–	–	1	1	3	3	3	3	1	1	1	1
Gregory Goodman	8	8	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Chris Green	8	8	–	–	–	–	–	–	3	3	3	3	1	1	4	4
Mark Johnson ⁵	8	7	3	3	4	4	1	1	–	–	2	2	1	1	–	–
Vanessa Liu	8	8	–	–	–	–	–	–	–	–	–	–	–	–	4	4
Rebecca McGrath ⁶	5	5	3	3	4	4	–	–	–	–	1	1	–	–	–	–
Danny Peeters	8	8	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Phillip Pryke	8	7	3	3	4	4	1	1	3	3	–	–	–	–	4	4
Belinda Robson ⁷	2	2	–	–	–	–	1	1	–	–	–	–	–	–	–	–
Anthony Rozic	8	8	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Hilary Spann	8	7	–	–	–	–	–	–	–	–	–	–	–	–	4	3
George Zoghbi ⁸	2	2	–	–	–	–	–	–	–	–	–	–	–	–	1	1

1. On 1 April 2023, the separate Audit Committee and Risk and Compliance Committee were combined as the Audit Risk and Compliance Committee. The committee members since its establishment are Mark Johnson (Chair), Stephen Johns, Phillip Pryke and Belinda Robson.

2. On 1 April 2023, the separate Remuneration Committee and Nomination Committee were combined as the Remuneration and Nomination Committee. The committee members since establishment are Stephen Johns (Chair), Chris Green and Mark Johnson.

3. The Sustainability & Innovation Committee commenced its activities from 1 October 2022. On establishment the committee members were Chris Green (Chair), Vanessa Liu, Phillip Pryke and Hilary Spann. Stephen Johns became a Committee member on 1 April 2023 and George Zoghbi on 11 April 2023.

4. Reflects the number of meetings individuals were entitled to attend.

5. Mark Johnson commenced as a member of the Nomination Committee on 1 October 2022 and as the Chair of the Risk & Compliance Committee on 1 March 2023.

6. Rebecca McGrath ceased being a member of the Nomination Committee on 1 October 2022 and retired as a member of the Board and Chair of the Risk and Compliance Committee on 28 February 2023.

7. Belinda Robson was appointed to the Board and commenced as member of the Risk & Compliance Committee on 1 March 2023.

8. George Zoghbi was appointed to the Board and commenced as a member of the Sustainability and Innovation Committee on 11 April 2023.

Directors' report

Remuneration report – audited

Letter from the Chairman and the Remuneration Committee Chair

1. REMUNERATION GOVERNANCE

- 1.1. The role of the Board and the Remuneration and Nomination Committee
- 1.2. Key activities of the Remuneration and Nomination Committee for FY23
- 1.3. Key Management Personnel (KMP)

2. REMUNERATION STRATEGY

- 2.1. Key remuneration principles
- 2.2. Objectives of the remuneration strategy
- 2.3. Remuneration mix and alignment across the Group

3. EXECUTIVE REMUNERATION FRAMEWORK

- 3.1. Feedback and response
- 3.2. Remuneration for executive KMP
- 3.3. When is remuneration earned and received?
- 3.4. Short-term incentive (STI)
- 3.5. Long-term incentive (LTI)
 - 3.5.1. FY24 LTI awards (five and ten-year plans)
 - 3.5.2. FY23 LTI awards (five and ten-year plans)
 - 3.5.3. FY22 LTI awards
 - 3.5.4. Setting operating EPS hurdles
 - 3.5.5. Operating EPS – long-term cash flow alignment with vesting outcomes
- 3.6. Non-financial measures
 - 3.6.1. Types of non-financial measures
 - 3.6.2. Integration of non-financial measures into STI
 - 3.6.3. Integration of non-financial measures into LTI
- 3.7. Considerations for setting of awards
 - 3.7.1. Considerations for award quantum – Goodman Group in context
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Directors' report

Remuneration report – audited (continued)

Letter from the Chairman and Chair of the Remuneration and Nomination Committee

Dear Securityholders,

On behalf of the Board, I am delighted to present the 2023 Remuneration Report, outlining Goodman's remuneration strategy and principles which we firmly believe provide appropriate alignment of the interests of management and Securityholders.

FY23 was another successful year for the Group, where we significantly exceeded financial performance expectations while also making excellent progress on our ESG initiatives. This was delivered by our management team in a particularly volatile and difficult global economic and market environment. The ongoing impact of global political instability, rising inflation and higher interest rates continue to present challenges for Goodman's business, our people, customers, investors, and the communities in which we operate and live.

The attraction and retention of talent are critical for the success of the Group. This is increasingly challenging as opportunistic competitors in our business seek to recruit high-performing teams around the world. The Group's longstanding and consistent approach to remuneration has been a key driver of our sustained success as an international business over an extended period of time.

This approach is reflected in our strong financial results for FY23 including:

- + Operating profit of \$1.8 billion (+17%), growth of 68% for the three years ended 30 June 2023 (which aligns with the Group's relevant LTIP testing period)
- + Statutory profit of \$1.6 billion and \$3.0 billion across the combined Group and Partnerships
- + Goodman operating EPS growth of 16%, materially exceeding initial expectations of 11%
- + Significant volume of development work in progress of \$13.0 billion at 30 June 2023, across 81 projects and providing a solid base for future profitability
- + Total AUM increasing 11% to \$81.0 billion
- + Low leverage of 8.3% and significant liquidity of \$3.1 billion providing strong financial capacity both for resilience and growth.

We have continued to reflect the importance placed on providing financial returns and operating within appropriate sustainability and environmental objectives, incorporating key ESG targets into the operations and long-term business strategies of the Group.

2022 AGM results and subsequent securityholder engagement

Despite receiving a second strike at last year's AGM, we recognise the significant support for our Remuneration Report which increased to over 71% from 58% a year before. While, as a Board, we were naturally disappointed with the result, we were grateful at the overwhelming support for the board in relation to the spill resolution. It is important to note that in the lead up to the AGM in 2022, we engaged directly with a large number of our investors representing approximately 60% of the securities on issue. Of this Group only a small proportion voted against the 2022 Remuneration Report. We received strong positive support for the plan structure, in particular our innovative ten year plan for senior executives, and the changes from 2021, specifically:

- + Reducing the proposed quantum of awards significantly (by 46% for the CEO and by 33% for KMP in terms of face value) while retaining the ability to recognise exceptional outperformance
- + Adopting significantly more challenging and competitive hurdles for operating EPS, notwithstanding the considerable market uncertainties existing at the time, which if achieved, at the top end of the range (11% per annum compound growth over the four year testing period; 52% growth overall) would provide Securityholders with exceptional performance in both relative and absolute terms.

We have also met with proxy advisors to explain and discuss our remuneration policies. These meetings have been constructive. An issue raised by one of the firms is our method of calculating operating profit and that it should include the share-based payment expense. We detail the reasons for our methodology in determining operating profit in section 3.5.5. In essence, operating profit reflects only cash profits, with non-cash items such as share-based payments and asset revaluations being excluded. Relevantly:

- + Management runs our business primarily on the basis of cash generation and employee performance is assessed accordingly
- + Based on analyst reports and management's discussions with investors and analysts, we believe the market uses operating profit as the most relevant measure to value the Group
- + Cash generation not only supports the payment of distributions but underwrites the robust financial health of the Group.

The Board believes that managing the business, on what is primarily a cash profit basis as represented by diluted operating EPS, is fundamental to long-term resilience and is the strongest determinant of value creation for Securityholders over time.

Despite not receiving sufficient votes to avoid the strike in 2022, the Board is confident that a substantial majority of our Securityholders continue to believe firmly in our remuneration structure, and importantly its alignment with their long-term outcomes.

We have again reflected this sentiment in setting awards and LTI hurdles this year. For KMP:

- + The STI component has been reduced by 10% (with the CEO continuing to not participate in STI awards)
- + The quantum of the FY24 LTI awards has also been reduced by 10% (so as to maintain the equivalent face value of the FY23 awards after taking into account the increase in the Goodman security price over the course of the year)
- + Challenging operating EPS hurdles (6% to 11% compound annual growth over a four year testing period and commencing from a substantially higher base) for LTI have again been imposed.

This remuneration result is particularly significant in the context of the Group's FY23 performance, where operating EPS increased 16%, well ahead of the broader market and our own guidance, but quantum of STI and LTI is similar to FY22. Furthermore, following exceptional results in the past two years where operating profit is up 46%, management will need to increase profit by over \$1 billion by FY27 in order to achieve maximum vesting of the FY24 awards.

The Board is always mindful of the focus on overall remuneration levels and spends considerable time each year determining remuneration outcomes in the context of our complex international operations. We recognise the need on the one hand, to attract, retain and incentivise our employees while, on the other hand, to meet the range of expectations of our Securityholders.

In closing I would like to acknowledge our long serving director, Phillip Pryke, who will be retiring from the Board in the first half of 2024. Phil, who chaired the Remuneration Committee from 2010 until earlier this year, has made a significant contribution to the formulation of the Group's remuneration strategies and to Board deliberations more generally.

We look forward to receiving your views and support at our 2023 AGM.

Yours sincerely,



Stephen Johns
Chairman and Chairs
of the Remuneration and
Nomination Committee

Directors' report

Remuneration report – audited (continued)

1. REMUNERATION GOVERNANCE

1.1. The role of the Board and the Remuneration and Nomination Committee

The Board and the Remuneration and Nomination Committee are responsible for approving the structure of the remuneration of the Group's employees and for the specific pay of the Group CEO and other KMP. In setting these, the Board considers remuneration with a five to ten year horizon. 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 in the longer term. 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 view rather than an opportunistic approach to property investment
- + Expects the senior leadership team to accept collective responsibility for the outcomes
- + Focus on the creation of 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 FY23, the Remuneration and Nomination Committee has considered:

- + Feedback from Securityholder engagement
- + The significant operational and financial outperformance of the Group
- + The specifics of individual performance
- + The long-term structure of remuneration and the challenging hurdles employed relative to expectations.

These have been assessed in the context of the current and expected future volatility as a result of inflationary conditions affecting capital markets and the global operating environment. This is particularly evident in the pressures on construction and development operations. It is our view that the logistics real estate sector continues to be favoured for investment, so the Remuneration and Nomination Committee has considered the impact continued competitor activity in our sector is having on attracting and retaining employees.

Remuneration this year aims to further balance Securityholder and employee outcomes and to continue to reinforce Goodman's long-term decision making. While the Group delivered strong operating EPS growth (+16.0%) in FY23, well ahead of original market guidance, for KMP the face value of awards (STI and LTI) has remained the same relative to the prior year and there are no increases in base pay for FY24 (other than where base pay is contractually subject to inflation-based indexation).

The Board has:

- + Reduced STI by 10% (increasing the skew to at risk LTI)
- + Increased the difficulty of the hurdles for the proposed FY24 LTI awards compared with FY23 by maintaining the challenging operating EPS hurdles of 6% to 11%, off a substantially higher base year (refer section 3.5.4)
- + Reduced the number of performance rights awarded to KMP by approximately 10%, in order to maintain similar face value of the combined STI and LTI, as a consequence of the increase in Goodman's security price and the reduction in STI.

This approach is consistent with the business and operational strategy as well as providing competitive remuneration to attract and retain high quality people.

The Board acknowledges the strike received at our AGM last year in relation to the 2022 Remuneration Report. However, we remain confident that our remuneration strategies are best suited to the long-term future of Goodman.

1.2. Key activities of the Remuneration and Nomination Committee for FY23

From 1 July 2022 to 31 March 2023, the Board had a separate Remuneration Committee and Nomination Committee. From 1 April 2023 these committees were combined into the Remuneration and Nomination Committee. Members of the Remuneration and Nomination Committee (and the predecessor Remuneration Committee during FY23 were:

Member	Role
Stephen Johns	Independent Director and Chairman of Goodman Group, Member of Remuneration Committee 1 July 2022 – 31 March 2023, Chair of the Remuneration and Nomination Committee 1 April 2023 – 30 June 2023
Chris Green	Independent Director – Member of Remuneration Committee 1 July 2022 – 31 March 2023, Member of the Remuneration and Nomination Committee 1 April 2023 – 30 June 2023
Mark Johnson	Independent Director – Member of Remuneration Committee 1 October 2022 – 31 March 2023, Member of Remuneration and Nomination Committee 1 April 2023 – 30 June 2023
Rebecca McGrath	Independent Director, Member of Remuneration Committee 1 July 2022 – 1 October 2022
Phillip Pryke	Independent Director and Chairman of the Remuneration Committee 1 July 2023 – 31 March 2023

Following significant enhancements to the remuneration policies in FY22 and FY23, the Remuneration and Nomination Committee has made additional changes for the FY24 awards. Key decisions made and items considered in the determination of FY24 awards, include the following:

- + An approximate 10% reduction in STI for KMP that receive STI, further increasing the at risk long-term nature of remuneration
- + 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 FY23 performance will be in the form of LTI. In general, LTI remains the significant focus of remuneration awards across the Group
- + The quantum of LTI awards has been reviewed and in determining these, face value and structure relative to peers, the reduction in STI and the more challenging hurdles have been considered. Accordingly:
 - For the Group CEO, the number of rights has declined 10% relative to the FY23 award, offsetting the security price increase during FY23 and resulting in the face value of the FY24 LTI awards being similar to FY23
 - For the other executive KMP, the number of rights has declined by approximately 9% relative to the FY23 awards offsetting the security price increase during FY23 and lower STI and resulting in the face value of the FY24 LTI awards being similar to FY23
- + Continued the issuance of LTI awards under the ten-year plan for the Group CEO, executive KMP and other senior executives
- + Continued to make the five-year LTIP available to the balance of employees
- + Further increase in the challenge and outperformance required to achieve hurdles
 - For the maximum vesting to occur on the operating EPS linked portion of the plan, a compound annual growth rate (CAGR) of 11% per annum (at the Upper Level) must be achieved over four years (in the case of the 10-year plan); this equates to almost 60% growth in operating profit in FY27 relative to the very strong FY23 result
 - The Board's operating EPS growth targets for management have remained consistent despite the deteriorating market and the effect of compounding growth off the 43% increase in operating EPS in the past 2 years. This means all the hurdles are materially higher than in comparable FY22 awards
- Based on the Board approved business and financial strategy, the Target level of performance is 8.5% CAGR growth in operating EPS over the four year testing period. This is the mid-point of the 6% to 11% operating EPS growth hurdles
- To achieve maximum vesting at the Upper Level hurdles, equates to operating profit growth in FY27 of over \$1,020 million (from the FY23 base year) and an increase of over \$240 million above the Board's Target level of performance
- Given the more challenging operating environment globally, analyst consensus expectations for the broader market (as evident in the S&P/ASX 100) and Goodman, are materially lower than both Board Target and the Upper Level. The Upper Level vesting hurdle reflects an approximately 4% higher growth rate per annum than market consensus and Visible Alpha forecasts and therefore a significant stretch component for management.
- + The Board Considers the 6% to 11% operating EPS CAGR range to be a truly challenging hurdle range for management in the current environment
- + Environmental and sustainability targets, included in the FY24 performance rights testing conditions have been reviewed and updated as considered appropriate
- + Fixed remuneration levels for Greg Goodman and Nick Vrontas were unchanged in FY23. Danny Peeters fixed remuneration is contractually subject to inflation-based indexation, calculated by reference to the change in the Luxembourg HICP Index. Accordingly, in respect of FY23 his base pay increased by 10.2% to €585,450. In respect of Nick Kurtis and Anthony Rozic, increases were made to fixed remuneration after benchmarking against similar roles in relevant locations.

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	28 years
Danny Peeters	Executive Director Corporate	17 years 1 month
Anthony Rozic	Deputy CEO and CEO North America	19 years 1 month
Nick Kurtis	Group Head of Equities	23 years 4 months
Michael O'Sullivan ¹	Group Chief Risk Officer	20 years 10 months
Nick Vrontas	Group Chief Financial Officer	17 years 2 months
Non-Executive KMP		
Stephen Johns	Chairman and Non-Executive Director	6 years 6 months
Chris Green	Non-Executive Director	4 years 2 months
Mark Johnson	Non-Executive Director	3 years 1 month
Vanessa Liu	Non-Executive Director	1 year 1 month
Belinda Robson	Non-Executive Director	2 months
Phillip Pryke	Non-Executive Director	12 years 9 months
Hilary Spann	Non-Executive Director	1 year 3 months
George Zoghbi	Non-Executive Director	2 months
David Collins	GLHK Non-Executive Director	5 years 5 months

1. Michael O'Sullivan retired from his role as Group Chief Risk Officer and ceased to be a KMP on 28 March 2023.

Kitty Chung was appointed as a GLHK Non-Executive Director on 1 July 2023 and became a KMP of Goodman from that date.

2. REMUNERATION STRATEGY

Goodman is one of the largest listed industrial real estate fund managers and developers globally. The Group's people are largely based outside Australia. The remuneration structure reflects the requirements in the highly competitive labour markets the Group operates in globally, not just in Australia, and the objective of aligning multiple regional businesses and operational segments with a global strategy and pay for performance outcomes.

A significant proportion of the value of the Group, reflected in the \$20.6 billion premium between the security price of \$20.07 at 30 June 2023 and Goodman's net tangible assets per security of \$9.12, 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 consistently and at all levels that has positioned the Group to sustainably grow the cash generation measure of the business that is encapsulated by operating profit (as described in the section 3.5.5).

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 high-performing teams around the world. The Group's remuneration policy is crucial in 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.

The Group's remuneration structure, in particular the focus on equity-based reward, has been a key component of its success as an international organisation. The Board believes that aligning all employees 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 created by the volatility in global political and capital markets 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

Continuing alignment of remuneration in line with Group strategy, structural changes and 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). The Group's capital and resource allocations shift over time in response to variable market circumstances. The effects of these real estate strategies take time to manifest, 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 that the Board considers to be most relevant:

- + Focus on LTI as the predominant source of pay for performance for senior members and a material factor for all employees of the Group. All employees are eligible to receive LTI grants as a material component of remuneration that are tested using challenging hurdles without encouraging inappropriate risk (see section 3.5.4), 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 3.5.5)
 - Goodman's remuneration structure results in a significantly higher proportion of pay in the form of equity-based performance awards (93% for the Group CEO versus less than 43% for S&P/ASX 20 CEOs). Consequently, despite only 25% of LTI testing against relative total securityholder return (TSR), employees have significant alignment and exposure to TSR outcomes versus typical remuneration structures. In addition, operating profit which determines operating EPS is a cash-based measure which management globally can have a tangible influence on
 - Importantly operating EPS is the underlying value driver for Goodman securities and is expected to ultimately align with TSR outcomes over the longer term
- + Securityholders are the beneficiaries of the Group-wide outcomes. Collaboration is required to achieve Group-wide targets across regions and business units. Remuneration should engender a collective responsibility for the consolidated outcomes which can facilitate decision making that leads to the optimal allocation of resources between locations and activity types to pursue the most appropriate opportunities at different points in time
- + A culture of ownership, inclusion and alignment, where all employees experience investment returns aligned with Securityholders creates stability which reduces staff turnover
- + Balancing reward and retention with long-term cost to Securityholders at respective levels of performance.

Business strategy requires long-term remuneration timeframes to align outcomes

Goodman's increased focus on urban infill markets with their significant increase in complexity has led to longer development horizons to maximise outcomes but delivered significant returns to investors. In summary:

- + Site acquisition and value add to existing stabilised sites, often takes five to ten years, and sometimes longer, to achieve highest and best use and urban regeneration outcomes
- + The Group's approach to development considers the lifecycle of an 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 environmental sustainability aspirations into the Group's operational activities requires significant time periods (often beyond five years) for implementation. Goodman's approach to outcomes for the community, environmental sustainability and wellbeing are long-term aspirations aligned with the financial sustainability objectives.

In the Board's view, the long-term nature of the structural trends impacting the sector, the Group's approach to real estate investment in relation to this, and investor feedback, supports continuation of the LTIP structure. The ten-year plan for the Group CEO, other executive KMP and other senior executives in the organisation, will continue to influence decision making and closely align with the time periods required to deliver superior operational results on a sustainable basis. It also provides sufficient time to implement key ESG initiatives and achieve the Group's targets, particularly in relation to longer-dated environmental and sustainability objectives, in a manner that creates alignment with the desired outcomes for Securityholders. The five-year LTIP is longer than most in the S&P/ASX 100 and remains in place for all eligible employees who do not participate in the ten-year plan and will continue to include hurdles aligned with the ten-year plan.

Directors' report

Remuneration report – audited (continued)

2.2 Objectives of the remuneration strategy

	Attract	Reward	Long-term alignment of our people and Securityholders
	Remuneration structure	Performance conditions	Alignment with strategy and long-term performance
At risk remuneration (typically >90% of CEO total remuneration)	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 relatively low, below median and mean for comparable companies. Group CEO fixed remuneration has not changed for 16 years.
	STI remuneration is a 100% at risk performance base award tied to operational performance metrics over the past 12 months. However, the Group CEO forgoes STI in favour of LTI. Other executive KMP received between 6% to 10% of total FY23 remuneration in STI, with payments made in two instalments, the first in August or September after the financial year end and the second 12 months later.	Assessment includes four key components: + Achieving operating EPS target ¹ + Meeting Goodman behavioural expectations per the Code of Conduct + Individual financial and operational assessment + Assessment against environmental and sustainability objectives. ¹ Achieving the operating EPS target does not determine the level of STI. It is a "gate" to the creation of the STI pool for the entire organisation. The test is therefore different and distinct from the LTI test where operating EPS performance determines the level of LTI vesting.	STI is an at risk component, rewarding financial and non-financial performance against objectives of the individual and the Group. Awards in FY23 represent 67% of the maximum for executive 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 (see section 4.4.). 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 incentivise the executive KMPs to achieve not only the operating EPS targets, but also that the method in which they are met matches appropriate risk and governance settings. Given the complex nature of the Group's global operations, individual financial metrics are reflected in the operating EPS. This structure is simple and transparent and aligns management with the operating EPS growth expectations of Securityholders. Detailed financial metrics for the business are additionally disclosed in reporting. In addition LTI operating EPS targets as LTIP targets are set over four years and represent the longer-term aspirations of the business with performance result directly determining financial outcomes through level of vesting.
	LTI is "at risk" remuneration that rewards long-term sustained performance. New awards will be granted in FY24 in relation to FY23 performance achievements, an assessment of potential future contributions and relevant alignment of employees. Ten-year plan awards to the Group CEO, executive KMP and senior executives are tested over four years with vesting in equal tranches, annually, from the end of year four to the end of year ten. Five-year plan awards to remaining employees are tested over three years with vesting in equal tranches, annually, from the end of year 3 to the end of year 5.	75% tested based on achieving the cash-based operating EPS hurdle range 25% tested based on relative TSR against the S&P/ASX 100 constituents. The benchmark index 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 high weighting to LTI is believed to be the most effective way of rewarding sustained performance and retaining talent while maintaining alignment with Securityholders' experience. Hurdles are set to be competitive relative to reference groups and challenging for management with a significant stretch component, but without encouraging inordinate risk in execution (see sections 3.5.4 and 3.5.5) relative to external and internal reference points. 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 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 effective impact of the TSR on remuneration is significantly greater than its 25% weighting. The combination of 25% TSR testing and >80% equity-based remuneration for executive KMP, provides significant overall exposure to TSR, based on the Group's remuneration structure. The total number of performance rights outstanding under the LTIP at 30 June 2023 equates to 4.1% 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 including cash settled performance rights ("phantoms"). Equity issuance to all employees encourages a collaborative approach and broader distribution of remuneration across the entire workforce when the Group is performing well.

2.3 Remuneration mix and alignment across the Group

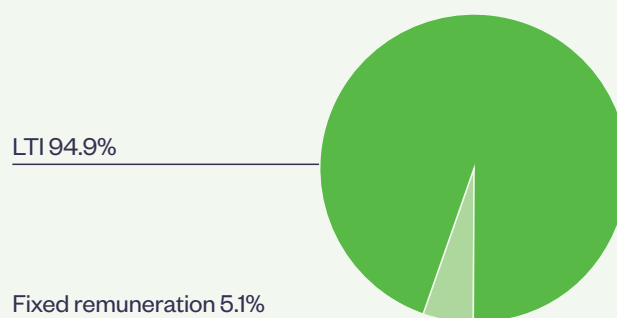
The Board believes that the alignment between pay and long-term performance is evidenced by the significant proportion of the total remuneration that is at risk for the Group CEO, the other executive KMP and employees throughout the organisation. In respect of the Group CEO, all of his at risk remuneration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

This is demonstrated in the charts below that consider the vested remuneration received during FY23. Vested remuneration represents the value that is received during FY23. It includes fixed base pay, STI and the value of performance rights that vested during FY23 (from prior grants) using the closing Goodman security price on the day of vesting.

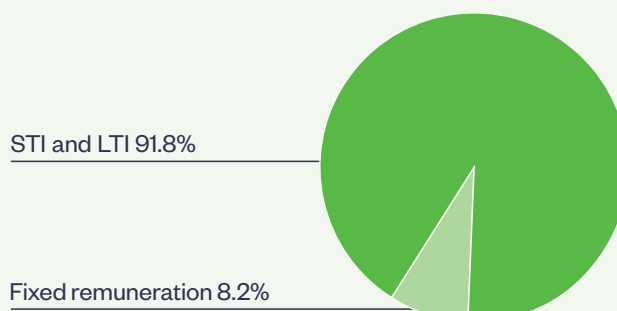
The Board believes that this demonstrates the alignment of the remuneration outcomes for the Group CEO with the outcomes for Securityholders, who have experienced strong performance over a significant period alongside the Group CEO. Had the Securityholder returns been lower, the level of at risk remuneration would have been lower (due to lower vesting outcomes and lower value of vesting performance rights) and fixed remuneration would have made up a greater proportion of the total vested remuneration in FY23 for all employees, but especially for the Group CEO and the other executive KMP.

FY23 vested remuneration outcome

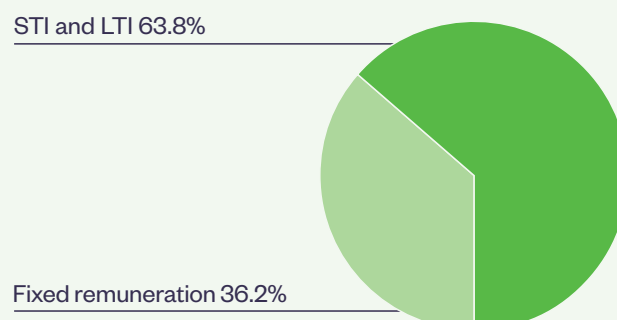
GROUP CEO FY23 REMUNERATION



EXECUTIVE KMP (EXCLUDING GROUP CEO) FY23 REMUNERATION 3 YEAR ROLLING



ALL EMPLOYEES (EXCLUDING EXECUTIVE KMP) FY23 REMUNERATION



Directors' report

Remuneration report – audited (continued)

3. EXECUTIVE REMUNERATION FRAMEWORK

3.1 Feedback and response

While the Group received a second strike at the AGM in November 2022, the result improved significantly from 58% in 2021 to 71% in 2022. The Chairman and the Group Head of Stakeholder Relations engaged with as many investors as reasonably possible in the lead up to the AGM. This led to engagement with 48 investors representing approximately 60% of Goodman's securities. Of this group only a small percentage voted against the remuneration. We received strong positive support for the changes from 2021 and specifically for the plan structure and hurdles.

Securityholder and Proxy Feedback	Response
Strongly positive feedback regarding the structure of the plan, testing and vesting period.	Continued the issuance of LTI awards under the ten-year plan for the Group CEO, other executive KMP and other senior executives. This ten-year plan will apply for the intended grant of performance rights to be made in September 2023 (therefore in FY24) in respect of FY23 performance.
While Securityholders recognise the long-term nature of LTI awards and many recognize the economic value approach, the majority use face value for determining outcomes.	The Group has relied on face value comparison with peer groups, noting the structure of respective plans, for the setting of awards. Awards have been reviewed relative to our global competitors and local peers. In addition, despite the Group delivering strong operating EPS growth (+16%) in FY23, well ahead of original market guidance, the Board acknowledges the strike received at the November 2022 AGM, and consequently for executive KMP has: <ul style="list-style-type: none"> – Reduced STI by 10% (which further increases the skew to at risk LTI) – Maintained the face value of the intended FY24 LTI awards at a level equivalent with FY23
Quantum is high relative to the ISS peer group.	In the Board's view, the ISS generated peer group is not a comparable group of companies, as the companies are significantly smaller, less active and operate almost solely in Australia. The Board has outlined what it considers to be relevant peer groups in section 3.7.1 and has considered these when assessing the quantum of remuneration awards.
Operating profit/operating EPS has been raised by one of the proxy advisors as a bespoke calculation and that it should include non-cash share-based payment expense.	The Board believes that managing the business, on what is primarily a cash profit basis as represented by diluted operating EPS, 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 operating EPS), and it is one of the key measures used to drive the business strategy for employees to execute. It is also why the Board has used operating EPS (operating profit per share, diluted for tested performance rights) as one of the principal performance tests in its LTI awards and why it continues to be an appropriate means by which to assess employee performance. Based on analyst reports and investor discussions, the market overwhelmingly uses operating profit as the most relevant and appropriate measure to value the Group. This is covered in further detail in Section 3.5.5.
Hurdles are set to be competitive and challenging in line with long term performance and the risk settings appropriate for the Group. Feedback, from the overwhelming majority of investors was that hurdles and the 'stretch' were appropriate, relative to targets. One proxy considered the hurdles were not challenging enough.	<p>LTI hurdles have been set for FY24 awards with a further increase to the challenge and outperformance required to achieve vesting. For the maximum vesting to occur on the operating EPS linked portion of the plan, a compound annual growth rate (CAGR) of 11% per annum (at the Upper Level) must be achieved over four years (in the case of the 10-year plan); this equates to almost 60% growth in operating profit in FY27 relative to the very strong FY23 result.</p> <p>The Board's operating EPS growth targets for management have remained consistent despite the deteriorating market and the effect of compounding growth off the 43% increase in operating EPS in the past two years. This means all the hurdles are materially higher than in comparable FY22 awards.</p> <p>Based on the Board approved business and financial strategy, the Target level of performance is 8.5% annual growth in operating EPS over the four year testing period. This is the mid-point of the 6% to 11% operating EPS growth hurdles.</p> <p>To achieve maximum vesting at the Upper Level hurdle, equates to operating profit growth in FY27 of over \$1,020 million (from the FY23 base year) and FY27 operating profit more than \$240 million above the Board's Target level of performance. Given the more challenging operating environment globally, analyst consensus expectations for the broader market (as evident in the S&P/ASX 100) and Goodman, are materially lower than both the Board's Target level and the Upper Level. The Upper Level hurdle reflects a 4% per annum higher growth rate than market consensus (Visible Alpha forecasts), and a significant stretch component for management</p>

Securityholder and Proxy Feedback	Response
Should we increase TSR tested portion of performance rights to 50%?	<p>The Board has again considered the appropriate portion of the performance rights to be tested using the TSR measure. We continue to believe the current structure providing 75% operating EPS testing and 25% TSR testing is the appropriate mix for Goodman. The Board believes that managing the business, on what is primarily a cash profit basis, is fundamental to long-term value creation and therefore Securityholder performance over time. The Board gave consideration to:</p> <ol style="list-style-type: none"> 1. Having engaged with a significant number of investors, there is no clear indication that TSR testing is a preferred approach for Goodman, and strong support remains for long-term cash flow measures 2. The LTI plan is a significant component of all eligible employee remuneration, not just for a small group of senior executives. Importantly, most of these employees are domiciled outside Australia with limited connection to the ASX or the factors which impact equity market volatility and TSR. In the Board's view, it is not appropriate or in the interest of Securityholders to link the most significant portion of remuneration for all employees to TSR, which is subject to short-term factors they have no control over 3. Employees across the business contribute to sustainable cash-based earnings growth in their day to day roles, and therefore the Board believes that in order to effectively incentivise them, operating EPS represents the most appropriate single measure 4. The relative TSR and operating EPS hurdles interact as TSR i.e. the security price, impacts the value of all LTI tranches. Given the significant skew in remuneration to LTI, the effective impact of the TSR on remuneration is significantly greater than its 25% weighting. The combination of 25% TSR testing and >80% equity-based remuneration for employees, provides significant overall exposure to TSR, based on the Group's remuneration structure. 5. The 25% TSR does 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.
Preference for long-term ESG targets.	<p>ESG targets will remain as an additional test for operating EPS tranches of performance rights, allowing for up to 20% reduction in vesting outcomes in the event of material underperformance against the targets. Targets have been reviewed and additional environmental and sustainability targets have been included in the testing conditions for FY24 awards. Progress against targets is reviewed annually.</p>
Preference for long-term at risk remuneration. Securityholders prefer in principle lower fixed and STI remuneration and more at risk LTI.	<p>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 FY23 performance will be in the form of LTI.</p>

Directors' report

Remuneration report – audited (continued)

3.2 Remuneration for executive KMP

Key testing criteria and minor modifications made to the Long-Term Incentive plan

EPS performance testing	Ten-year plan FY23	Change	Ten-year plan FY24	Comment/rationale
Threshold	6% (CAGR) in operating EPS (25% of performance rights vest at the Threshold).	No	6% CAGR in operating EPS for the 4 years to FY27 (25% of performance rights vest at the Threshold)	Performance at the Threshold level (compound annual growth in operating EPS of 6% for the four years to FY27) for performance rights vesting to start has been set such that it requires performance significantly in excess of that expected from relevant peer groups. Goodman must deliver >15% EPS growth compared to the S&P/ASX 100 (2.5% per annum) and S&P/ASX 200 REIT's (2.7% per annum) based on broker consensus earnings in order to achieve the Threshold Level.
Vesting at Threshold	25%	No	25%	
Target	8-9% CAGR in operating EPS (55% to 70% of performance rights vest at Target)	Yes	8.5% CAGR in operating EPS. For the 4 years to FY27 (62.5% of performance rights vest at Target)	Based on the Board approved business and financial strategy, the Target level of performance is 8.5% compound annual growth in operating EPS over the four year testing period. This is the mid-point of the 6% to 11% operating EPS growth hurdles. It is in excess of average broker research estimates for the Group (of approximately 7% per annum) and materially in excess of peers. The Board's operating EPS growth targets for management have remained consistent despite the deteriorating market and the effect on the hurdles of the 43% increase in operating EPS in the past two years. As a consequence, the Board considers the hurdles are higher than in comparable FY23 awards.
Vesting at Target	55% to 70%		62.5%	
Upper level	11% CAGR in operating EPS (100% of performance rights vest)	No	11% CAGR in operating EPS for the 4 years to FY27 (100% of performance rights vest)	For the maximum vesting to occur a compound annual growth of 11% per annum, the Upper Level, must be achieved over four years; this equates to almost 60% growth in operating profit in FY27 relative to the very strong FY23 result. Vesting at the Upper Level equates to operating profit growth in FY27 of over \$1,020 million (from the FY23 base year) and the FY27 operating profit would be more than \$240 million above the Board's Target level of performance. Given the more challenging operating environment globally, analyst consensus expectations for the broader market (as evident in the S&P/ASX 100) and Goodman, are materially lower than both the Board's Target level and the Upper Level. The Upper Level vesting hurdle, reflects a 4% per annum higher growth rate than market consensus (Visible Alpha) forecasts and a significant stretch component for management
Vesting at Upper level	100%	No	100%	

TSR performance hurdle	Ten-year plan FY23	Change	Ten-year plan FY24	Comment/rationale
Testing criteria	TSR against S&P/ASX 100.	No	TSR against S&P/ASX 100.	S&P/ASX 100 correlates with most benchmarks relevant to Securityholders.
Testing thresholds	0% at 50th percentile 25% at 51st percentile Straight line vesting percentage to 90th percentile where 100% vests.	No	0% at 50th percentile 25% at 51st percentile Straight line vesting percentage to 90th percentile where 100% vests.	Outperformance of the index average is required before any portion is vested. This aligns with Securityholders albeit underlying operational performance may not be reflected in TSR if macro environment changes (as has happened in FY23)
Environmental and sustainability hurdles	Ten-year plan FY23	Change	Ten-year plan FY24	Comment/rationale
Environmental and sustainability performance	Targets set by the Board are tested at the end of year four. A 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.	Yes (refreshed hurdles)	Targets set by the Board are tested annually and at the end of year four. A Penalty is applied 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, A penalty is applied to the number of performance rights that satisfy the operating EPS hurdle. A 20% maximum reduction would apply in the event of material underperformance against targets

While STI and LTI both utilise an operating EPS measure the testing criteria are materially different.

For the STI:

- + Achieving the operating EPS guidance for a particular financial year acts as a gate and not a financial test determining level of payment. The Group's guidance for the financial year ahead must be achieved in order for any bonus pool to be available for that year
- + STI also includes a "gate" relating to conduct and behaviour
- + STI (excluding the CEO) is then determined based on individual employee performance relative to KPI's.

For the LTI:

- + Operating EPS is tested over four years, so while the first year's guidance is relevant, it is only one year of the four years growth required to determine CAGR and therefore the vesting of the operating EPS tranches of the LTI. The level of compound annual growth achieved (from 6% to 11%) will determine the financial outcome under the LTI as it relates to the number of securities that would vest
- + The level of certainty relating to operating EPS growth is lower beyond one year, and hence the guidance for the coming financial year is not indicative of future years.

The chart below illustrates the components of KMP remuneration in relation to FY23 performance using:

- + Current fixed base pay
- + STI award (where applicable)
- + LTI award value using the intended grant to be made in September 2023 based on the face value at 30 June 2023 as detailed in section 4.5.

REMUNERATION



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.

Under the ten-year plan and with the above remuneration structure:

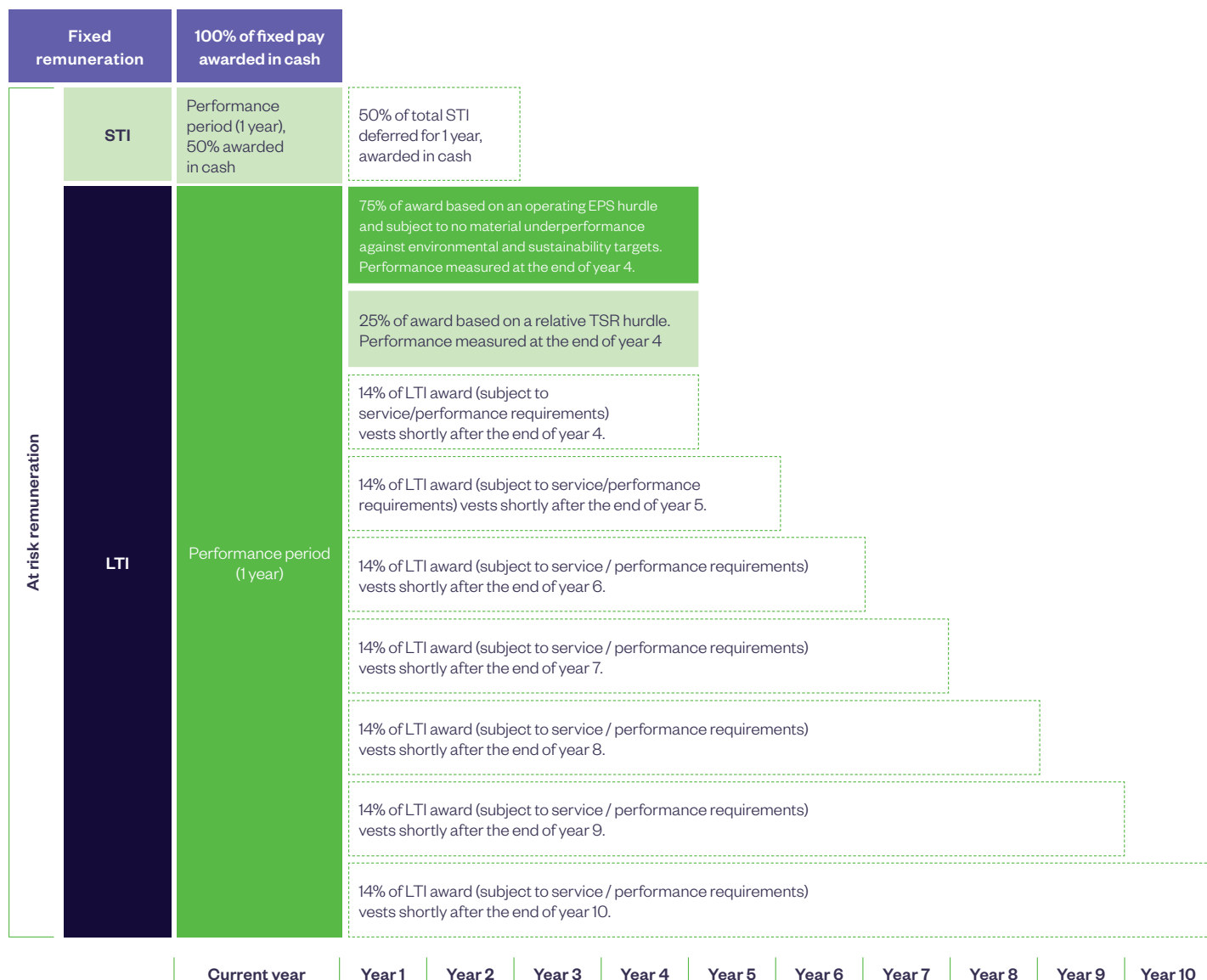
- + The Group CEO would not receive any performance-based reward in respect of his performance for FY23 if the Group does not meet its minimum performance hurdles under the LTIP over the next four years (measured at 30 June 2027)
- + At the Threshold level of performance (6% per annum compound growth in operating EPS), the Group would have significantly outperformed the S&P/ASX 20 (based on market consensus forecasts) but this would only result in 25% vesting and remuneration outcomes that are materially below the current median for the entities in the S&P/ASX 20 and our comparators (Section 3.7).
- + The ultimate value of the award will be subject to Goodman's security price performance and will only be realised in its entirety in September 2033 (ten years).

Directors' report

Remuneration report – audited (continued)

3.3 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 significant risk associated with vesting given the required returns to satisfy vesting and the final cash outcome is dependent on the movement in the security price over the next ten years.



3.4 Short-term incentive (STI)

STI is a component of remuneration that is at risk. It is assessed through a series of “gates” based on achievement of financial and non-financial objectives. This structure is transparent, ensures minimum performance requirements for eligibility and aligns individuals with 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.
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 this 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) achieving operating EPS (based on the annual target for the relevant year which is disclosed to the market at the beginning of the year in the form of “guidance”; (2) meeting behavioural expectations under the Group's Code of Conduct; (3) financial and operational assessment; and (4) assessment against environmental and sustainability targets. It is important to note, achieving the operating EPS Target does not determine the level of STI. It is a “gate” to the creation of the STI pool for the entire organisation. The test is therefore different and distinct from the LTI test where operating EPS performance determines the level of LTI vesting.
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 and conduct. 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. Consideration is also given to the total remuneration package with a view to retaining and appropriately aligning and motivating employees.
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 or resignation?	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, barring special circumstances.

3.5 Long-term incentive (LTI)

The Goodman LTIP is an equity plan where rewards are at risk and dependent on 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 dividends or assets until they vest. The Threshold target with respect to operating EPS (where only 25% of these performance rights vest) is significantly ahead of estimates for the S&P/ASX 20, S&P/ASX 100 and S&P/ASX 200 REIT sector
- + 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
- + Performance rights represent a small portion of the Group's equity and a small percentage of the likely value created for Securityholders if they vest. CAGR for operating EPS is used to test performance and has to absorb dilution created through the vesting of securities under the LTIP, effectively mitigating the impact of the dilution on Securityholders.

The key terms of the LTIP are set out on the next page.

Remuneration report – audited (continued)

Questions in relation to grants to be made in FY24

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Questions in relation to grants to be made in FY24 (continued)

What are the vesting conditions for FY24 ten-year plan grants?	Operating EPS tested (75% of grant) <p>The Board has set an operating EPS performance hurdle of growing operating EPS from the FY23 result of 94.3 cents to between 119.1 cents (Threshold level) and 143.2 cents (Upper level) in FY27. 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%pa and 11%pa CAGR in operating EPS or approximately 26% to 52% cumulatively over the four-year testing period.</p> <p>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 reviewed by the Board annually and at the end of the testing period with 20% maximum reduction in the number of rights vesting under the operating EPS tranches, in the event of material underperformance against targets.</p>	Relative TSR tested (25% of grant) <p>Vesting of the TSR awards is subject to achievement of cumulative TSR relative to the S&P/ASX 100 entities over a four year period:</p> <ul style="list-style-type: none"> + 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 FY24 five-year plan grants?	Operating EPS tested (75% of grant) <p>The Board has set an operating EPS performance hurdle of growing operating EPS from the FY23 result of 94.3 cents to between 112.3 cents (Threshold level) and 129.0 cents (Upper level) in FY26. 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% pa and 11% CAGR in operating EPS or approximately 19% to 37% cumulatively over the three-year testing period.</p> <p>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 reviewed by the Board annually and at the end of the testing period with 20% maximum reduction in the number of rights vesting under the operating EPS tranches, in the event of material underperformance against targets.</p>	Relative TSR tested (25% of grant) <p>Vesting of the TSR awards is subject to achievement of cumulative TSR relative to the S&P/ASX 100 entities over a three year period:</p> <ul style="list-style-type: none"> + 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 ASX Listing Rule adjustments).	No.

Directors' report

Remuneration report – audited (continued)

3.5.2 FY23 LTI awards

Questions specific to grants made in FY23

What are the vesting conditions for FY23 ten-year plan grants?

Operating EPS tested (75% of grant)

The Board set an operating EPS performance hurdle of growing operating EPS from the FY22 result of 81.3 cents to between 102.7 cents (Threshold level) and 123.4 cents (Upper level) in FY26. 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% pa and 11% pa CAGR in operating EPS or approximately 26% to 52% 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 reviewed by the Board annually and at the end of the testing period 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)

Vesting of the TSR awards is subject to achievement of cumulative TSR relative to the S&P/ASX 100 entities 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 FY23 five-year plan grants?

Operating EPS tested (75% of grant)

The Board set an operating EPS performance hurdle of growing operating EPS from the FY22 result of 81.3 cents to between 96.9 cents (Threshold level) and 111.2 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% pa and 11% CAGR in operating EPS or approximately 19% to 37% 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 reviewed by the Board annually and at the end of the testing period 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)

Vesting of the TSR awards is subject to achievement of cumulative TSR relative to the S&P/ASX 100 entities 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.

3.5.3 FY22 LTI awards

Questions specific to the grants made in FY22

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 reviewed by the Board annually and at the end of the testing period 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)

Vesting of the TSR awards is subject to achievement of cumulative TSR relative to the S&P/ASX 100 entities 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% cumulative growth in operating profit over the three year testing period.

Relative TSR tested (25% of grant)

Vesting of the TSR awards is subject to achievement of cumulative TSR relative to the S&P/ASX 100 entities 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.

3.5.4 Setting operating EPS hurdles

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

The hurdles are set in line with the “pay for performance” culture and the desire for them to be both challenging and competitive while maintaining the integrity of the business strategy and risk management objectives in a sustainable manner.

The hurdle range, has been set with particular reference to:

- + The significant proportion of the Group’s revenue over the next four years, being at risk in the sense that it is not currently contracted and subject to a wide number of variables, particularly in regard to development activities and performance fees
- + The range of potential real estate opportunities for the Group globally, given the Group’s risk parameters and concentrated locations of operation
- + The long-run historical performance of the Group, noting that previous history is not a reflection of future earnings
- + Increased volatility across the global economic and political environment which is manifesting in higher cost inflation, slower real GDP growth rates and higher interest rates.

The Board’s operating EPS growth targets for executive KMP and the senior executives have remained consistent despite the deteriorating financial market conditions as reflected in the analyst consensus expectations for the broader market (as evident in the S&P/ASX 100) and Goodman being materially lower than both the Target and the Upper Level hurdles. In addition, the Group has delivered a 43% increase in operating EPS in the past two years. Combined, this means the difficulty of the hurdles for the FY24 awards has increased significantly compared with FY23 by maintaining the challenging growth rates in operating EPS of 6% to 11%, despite the substantially higher base. To achieve maximum vesting at the Upper Level hurdle equates to operating profit growth in FY27 of over \$1,020 million (from the FY23 base year) and an increase in operating profit of more than \$240 million compared to the Board’s Target level of performance.

Since implementation of the ten-year plan in FY21 there has been two years of significant operating profit growth. As a result, the increase in operating profit from the base year required for full vesting of FY24 awards represents a 46% higher outcome than for the awards made in FY22.

Profit growth to achieve full vesting for the operating EPS tranches

	Award year		
	FY22	FY23	FY24
Base year operating profit (\$M)	1,219	1,528	1,528
Final year operating profit (\$M) at 11% CAGR in operating EPS	1,935	2,424	1,929
Increase in operating profit (\$M) relative to the base year required to achieve Upper Level hurdle	715	896	2,320
Percentage increase in operating profit growth versus FY22 awards	n/a	25%	46%

The Board has set the operating EPS hurdles as follows:

Threshold Level hurdle – CAGR in operating EPS of 6% for the four years to FY27

- + Performance at the Threshold Level hurdle is required for performance rights vesting to start and has been set such that it requires performance materially in excess of relevant peer groups (S&P/ASX 20, S&P/ASX 100 S&P/ASX 200 REIT. The Board considers performance at Threshold level to be very good relative to the market and with respect to the required operational outcomes. However, despite significant outperformance required in excess of comparator Groups, only 25% vesting would occur and remuneration outcomes are estimated to be well below the median remuneration outcomes for these comparators.

Target Level hurdle – CAGR in operating EPS of 8.5% for the four years to FY27

- + Performance at “Target” Level is in line with aspirations determined by the Board business and financial strategy and is considered by it to be a very strong outcome. It must be achieved while taking into account what the Board believes are appropriate risk management constraints for the business, and given the context of the global economic and political environment, higher interest rates, inflation, cost of capital and risk settings. It is contingent upon increased activity levels and market conditions remaining favourable. As stated above, the Board’s operating EPS growth targets for management have remained consistent despite the deteriorating market and the effect of compounding growth off the 43% increase in operating EPS in the past 2 years, which means all the hurdles are higher than in comparable FY22 awards. Target level is in excess of average broker research estimates¹ for the Group (approximately 7% pa) and materially in excess of peers. Only 62.5% of performance rights vest at Target.

Directors' report

Remuneration report – audited (continued)

Upper-Level hurdle – CAGR in operating EPS of 11% for the four years to FY27

- + Performance at the Upper-Level hurdle would require outcomes significantly ahead of internal targets and analyst expectations (see below) and is considered by the Board to be an outstanding outcome incorporating a large stretch component
- + To achieve maximum vesting at the Upper Level hurdles, equates to operating profit growth in FY27 of 60% or over \$1,020 million (from the FY23 base year) and an increase in operating profit of more than \$240 million compared to the Board's Target level of performance
- + Given the more challenging operating environment globally, analyst consensus expectations for the broader market (as evident in the S&P/ASX 100) and Goodman, are materially lower than the Upper Level. The Upper Level vesting hurdle reflects a 4% per annum higher growth rate than market consensus, Visible Alpha forecasts.

The hurdles are set for the entire period of the plan 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 geo-political tensions and impacts on supply chains, and global economic activity. The Board considers the 6% to 11% operating EPS CAGR to be a truly challenging hurdle range for executives in the current environment.

In addition, 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. This is reflected in the relatively low gearing of the Group (relative to comparators) and its other risk settings. Considering the difference in gearing, the FY24 hurdles are relatively higher compared to peers.

Comparator Group	Ten-year plan operating EPS ¹ hurdles (cents)	Estimated CAGR in operating EPS ¹ FY24 – FY27	Growth in operating EPS ¹ FY24 to FY27 based on estimated CAGR	LTI vesting based on estimated CAGR in operating EPS	Additional operating profit ² to achieve Upper Level hurdle (A\$M)
S&P/ASX 20 ³	n/a	2.8%	11.8%	–	814
S&P/ASX 100 ³	n/a	2.5%	10.2%	–	841
S&P/ASX 200 REITs ³	n/a	2.7%	11.1%	–	824
Broker consensus for Goodman ⁴	n/a	7.0%	31.1%	~28%	380
Threshold level	119.1	6.0%	26.2%	25.0%	468
Target Level	130.3	8.5%	38.6%	62.5%	242
Upper level	143.2	11.0%	51.8%	100.0%	n/a

1. Operating EPS for Goodman.

2. Relative to the operating profit based on the broker estimates for growth in operating EPS

3. Source: Broker estimates.

4. Source: Visible Alpha. Broker reports

3.5.5. 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. Operating profit is a Board/Management defined profit measure in addition to Statutory profit which is common market practice (bespoke to each company and typically not an IFRS measure, such as underlying profit, operating profit, management profit, normalised profit, FFO, AFFO etc.) to better reflect the underlying earnings of the business (or in Goodman's case, the underlying cash-based earnings).

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 operating EPS), and it is one of the key measures used to drive the business strategy that is communicated to employees to execute. It is also why the Board has used operating EPS (operating profit per share diluted for tested performance rights) as one of the principal performance tests in its LTI awards. This reflects the actual cash-based operating EPS to Securityholders when testing outcomes are confirmed.

Importantly, based on analyst reports and investor discussions, the market overwhelmingly uses operating profit as the most relevant and appropriate measure to value the Group. This is important as it directly impacts the targets we set.

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, it is appropriate for the SBP expense to be excluded from operating profit, like other non-cash items (such as revaluations, derivative movements). They have no impact on Securityholders until they are vested.

- + 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. This is not subject to accounting estimation and is a more reliable measure of the cost to Securityholders and the actual impact on 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
- + Noting that if we amended the calculation to include in the denominator all securities potentially issuable under the LTIP (i.e. including those which have not passed the test and therefore may not ever vest), it would not have made a material difference to operating EPS growth or vesting. For the avoidance of doubt, all rights that have passed the testing hurdles are included in the operating EPS calculation and therefore operating profit needs to absorb this dilution to meet future hurdles.

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 per security at the time of issuance and the dilution to future operating EPS
- + Not all performance rights vest even if they have satisfied performance hurdles, which does not align with the accounting for the SBP expense. The accounting for SBP potentially has the effect of incurring an expense impacting prior year performance, which is later reversed if vesting conditions are not met. This is not an appropriate methodology of testing employee performance
- + Following successful testing at years three or four (for the five-year plan and ten-year plan respectively), 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 the most appropriate means by which to assess employee performance. It is also consistent with the valuation of Goodman by the market, which primarily uses operating profit and operating EPS to assess security value.

Directors' report

Remuneration report – audited (continued)

Use of cash settled performance rights

In certain jurisdictions, it is impractical to issue performance rights which vest into Goodman securities. In these instances, cash settled performance rights ("phantoms") are issued, with the same economic outcome 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 therefore the share-based payments expense remains effectively a non-cash item in the context of the definition of operating profit.

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's 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.

Individuals' behaviour and adherence to the Code of Conduct, governance, implementation of diversity principles and social programs are assessed as a gate to STI and LTI awards. Breaches can also result in forfeiture of LTI or potentially more severe consequences, depending on severity.

Consequences of breaches of Code of Conduct in FY23

Conduct and or behavioural Issues

Consequences	Termination, forfeiture of STI, forfeiture of LTI
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In respect of the FY23 STI awards and the intended LTI awards that will be made in September 2023 (in respect of FY23 performance), key environmental and sustainability targets will also be assessed based on the individuals' 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% to 100%

3.6.3 Integration of non-financial measures into LTI

The Board also believes that ownership through the LTIP assists in creating a common purpose in the organisation and that this has been strongly reflected in the Group's performance over many years. Behaviour and adherence to the Group's Code of Conduct have always been a prerequisite to entitlement to vested LTI and since 2021, additional hurdles for vesting, related to our environmental and sustainability targets have been incorporated into intended awards.

- + The Board will review progress on targets annually and set review long term targets each year as they relate to the new testing period
- + 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 formally at the end of the testing period (year four for the ten-year plan)
- + 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% to 100%
2nd hurdle	Operating EPS and relative TSR	0% to 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

Directors' report

Remuneration report – audited (continued)

3.7 Considerations for setting of awards

The Board is 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. In assessing the Group CEO and other executive KMP remuneration for FY23, the Board has given consideration to:

- + Feedback from investor engagement following the November 2022 AGM for remuneration related matters
- + Maintaining the structure and principles of the Group's remuneration strategy
- + The Group's relative performance against operational targets in FY23
- + The Group'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
- + Balancing employee and Securityholder outcomes
- + Hurdles and testing criteria for performance rights.

The Board has assessed outcomes for Securityholders, based on the testing criteria under the five and ten-year plans and that the pay for performance alignment is with all Goodman employees (all permanent employees, up to 971 people, are eligible to participate in the LTIP). Based on the proposed hurdles, the Board believes that significant balance and alignment exists between the cost of the plan and net outcomes achieved for Securityholders.

- + Before any performance awards are realised under the ten-year plan hurdles, significant Securityholder value that equates to \$12 billion in market capitalisation growth, must be created, consistent with >32% TSR over the testing period (all other things being equal and based on the assumptions set out in the table below)
- + The maximum employee share of the value created will occur if the awards fully vest through achieving the 11% CAGR in operating EPS over the four year testing period and the relative TSR performance is at the 90th percentile. This represents only 3.1% of the \$22 billion value created for Securityholders (net of dilution) or 52% potential security price growth (all other things being equal)
- + Delivered over 10 years, the dilution to Securityholders from the plan at maximum vesting, averages only 0.3% per annum compared to the 52% total security price growth experienced by Securityholders. In addition, by definition, this 0.3% dilution has been absorbed to achieve the hurdles
- + If growth were to exceed 11% per annum and the security price grows beyond the assumption above, the employee share diminishes relative to value created for Securityholders.

Estimated Securityholder value over the four-year testing period under the LTIP

	CAGR in operating EPS over the four year testing period		
	Less than 6.0%	6.0%	11.0% (or more)
Economic outcomes			
Cumulative operating profit growth	<32.1%	32.1%	58.5%
Cumulative operating EPS growth	<26.2%	26.2%	51.8%
Percentage of performance rights vesting ¹	0.0%	25.0%	100.0%
Year 4 operating profit	<\$2.4B	\$2.4B	\$2.8B
Market capitalisation (MCAP) at end of year 4 ²	<\$49.8B	\$49.9B	\$59.9B
Net value created for Securityholders (growth in MCAP)²	<\$11.9B	\$11.9B	\$22.0B
Assumed security price ³	n/a	\$25.34	\$30.47
Effect cost of total plan / MCAP	0.0%	0.3%	1.1%
Employee share of Securityholder value created⁴	0.0%	1.4%	3.1%

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 2023 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 2023 value and growing it at the same rate as the operating EPS growth. This includes full dilution including the five-year plan securities assuming the same growth rate for FY27.

3.7.1 Considerations for award quantum – Goodman Group in context

The Board and Remuneration and Nomination Committee have considered the Group's global operations, including its Partnerships, when assessing the executives' roles and remuneration awards.

In this context, Goodman:

- + Is an international real estate fund manager
- + Reported \$1.8 billion operating profit, and a combined statutory profit across the Group and Partnerships of \$3.0 billion in FY23
- + Reported NTA of \$9.12, with gearing of 8.3% and available liquidity of \$3.1 billion
- + Is the largest listed specialist developer of logistics real estate in the world, \$13.0 billion of WIP and significant growth in scale, value and complexity of our development projects
- + Manages and creates value across \$81 billion of assets globally which has almost doubled in the past five years
- + Manages capital allocation and funding across various activity types, which is sourced from multiple jurisdictions
- + Has a market capitalisation of \$37.8 billion at 30 June 2023 and is a member of the S&P/ASX 20 index
- + Generates 77% 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 63% of operating earnings from international markets with approximately 65% 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 up to 971 employees at 30 June 2023, 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 FY23, the Board has referenced:

- + A range of local and global comparators with operations of similar scale and complexity and certain companies in the S&P/ASX 20
- + A range of relevant Australian listed comparators with significant (>50%) global operations
- + Global real estate companies, REITs and developer/ fund managers including specifically from the logistics real estate sector. In the Real Estate Sector the closest comparators are Prologis and Segro, noting that:
 - Prologis is larger by market capitalisation and assets, but Goodman has a more significant proportion of earnings from development and management activities. Also Goodman has more globally diversified activities – whilst Prologis operates in a similar number of jurisdictions it is more skewed to one location, being the US
 - Segro is smaller and predominantly UK focused, with a small proportion of its assets in Europe, whereas Goodman operates in 14 countries globally. Again, Goodman has a more significant proportion of earnings from development and management activities.
- + While Goodman is an S&P/ASX REIT under the GICS classification system, the ASX listed REITs:
 - Are significantly smaller (on average <20% of Goodman's market capitalisation)
 - Typically have less than 20% active earnings compared to 77% for Goodman
 - Typically only operate in Australia, whereas Goodman has significant global operation.

Directors' report

Remuneration report – audited (continued)

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 structures are particularly relevant because:

- + the nature of pay for performance remuneration structures is highly equity-based and outcome-driven similar to the Group's remuneration structure
- + the period of testing and realisation of remuneration is linked to investor outcomes over significant periods of up to ten years, again a similar remuneration structure. The majority of the Group's assets are within PE (unlisted) market entities, which in turn creates significant competition for high performing people.

Various Reference Groups

Peer group comparator	Reason for comparison	Annual CEO remuneration							
		Range	Average	Median	% LTI	LTI term (yrs)	1 year TSR	3 year TSR	5 year TSR
Goodman	Group CEO	n/a	\$19.5m ¹	n/a	92%	10	14%	41%	128%
S&P/ASX 20	Goodman is number 15 in the S&P/ASX 20 index	\$6m – \$37m	\$11m	\$9m	43%	4	16%	49%	59%
Selected ASX listed companies with global operations	63% of Goodman's earnings are outside Australia. The comparator group provides a reference to local companies with international operations	\$6m – \$37m	\$15m	\$11m	49%	4	14%	44%	80%
S&P/ASX 100 and Global Property Companies/ REITs²	Global comparators are included given the jurisdictions in which they operate, the complexity of their operations and the size and scale of the entities.	\$5m – \$73m	\$15m	\$8m	44%	5	-4%	12%	28%

1. Based on proposed FY24 award.

In the Board's view, the competitive environment for logistics assets and consequently also for teams with skills to develop and manage the products and services over the long term, remains intense. 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 also assessed the FY24 awards in this context.

3.7.2 Considerations for award quantum – structure

The Board has made its comparison of the awards based on face value, assessed against comparator groups. Given the variability in the components of remuneration structures in the market, Goodman's comparator group analysis of value and quantum of awards is assessed 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 FY24 to provide additional challenges (and risk of achievement) for all employees and to achieve a high degree of alignment and balance with Securityholder outcomes demonstrated in the Economic Outcomes table in section 3.7
- + Performance rights awarded under the LTIP do not have any voting rights or rights to dividends until vested, even after passing testing hurdles
- + Significant financial outperformance in FY23 versus targets and continued outperformance relative to peer group over three and five years
- + The proposed LTI awards have longer testing period, longer vesting period and significantly larger portion at risk than the market generally.

On this basis of the total remuneration outlined, considering the market capitalisation and performance differentials of the groups above, it is considered that an appropriate benchmark for the Group CEO's remuneration remains a potential Face Value of around A\$20 million. The Board has set the remuneration accordingly.

The Board's proposed award for the Group CEO (based on face value of the LTI) is detailed below:

Group CEO:	Number of rights	Goodman security price ¹ \$	LTI at Threshold ² \$M	LTI at Target ² \$M	LTI at Upper level ² \$M	Fixed pay \$M	Fixed pay and LTI (25.0% vesting) \$M	Fixed pay and LTI (62.5% vesting) \$M	Fixed pay and LTI (100% vesting) \$M
FY23 CEO	900,000	20.07	4.5	11.3	18.1	1.4	5.9	12.7	19.5
FY22 CEO	1,000,000	17.84	4.5	11.2	17.8	1.4	5.9	12.6	19.2
Variance (%)	(10.0)%	12.5%	1.3%	1.3%	1.3%	–	1.0%	1.1%	1.2%

1. Face value at the end of the financial year

2. Threshold would result in 25.0% LTI vesting, Target would result in 62.5% LTI vesting and Upper level would result in 100.0% LTI vesting

Group CEO maximum possible outcomes for FY23 versus FY22

Based on the proposed award, the maximum Face Value of remuneration which can be received by the Group CEO, over ten years, if 100% vesting occurs, is equivalent to (1% higher than) the remuneration awarded last year, noting that in FY23 the Group posted significant outperformance and followed FY22, the strongest financial performance in the Group's history. Based on the hurdles set for the FY24 awards, the Group CEO would only receive 62.5% vesting at the Board's Target performance level.

	CAGR in EPS	Vesting %	Vesting \$m	Fixed remuneration \$m	Total remuneration \$m	Total return over four years	Out-performance versus S&P/ASX 20	Pay difference ¹ \$m
S&P/ASX 20 consensus	2.8%	n/a	n/a	2.4	10.7	12%	n/a	n/a
Goodman Threshold	6.0%	25%	4.5	1.4	5.9	26%	13%	-4.7
Goodman Target	8.5%	63%	11.1	1.4	12.7	39%	25%	2.1
Goodman Upper level	11.0%	100%	118.1	1.4	19.5	52%	37%	8.9

1. Between Group CEO's potential remuneration vs S&P/ASX 20 CEO's potential remuneration

Directors' report

Remuneration report – audited (continued)

4. GROUP PERFORMANCE AND OUTCOMES

The Group has delivered an exceptional result, significantly outperforming the original estimates notwithstanding the challenging operating conditions and market volatility. Goodman's security price has continued to demonstrate a significant premium to underlying net assets and medium and longer term outperformance relative to the peer group indices, attributable to the value creation by employees.

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

4.1 Group FY23 highlights

	<h4>Financial</h4> <p>Statutory profit of \$1.6 billion for Goodman and \$3 billion for the combined Group and Partnerships</p> <p>Operating profit of \$1.8 billion (up 17% on FY22)</p> <p>Operating EPS of 94.3 cents (up 16% on FY22)</p> <p>Distribution maintained at 30.0 cents per security to sustain financial risk management objectives</p> <p>Net tangible assets per security increased 9% to \$9.12</p>
	<h4>Operational property investment, management, and development</h4> <p>High occupancy maintained at 99% and like for like net property income growth of 4.7%</p> <p>Total AUM of \$81 billion (up 11% on FY22)</p> <p>Strong performance by the 20 Partnerships, achieving weighted average returns of over 7%</p> <p>Development WIP (end value) of \$13.0 billion and with 99% commitment levels on completions and 13 year weighted average lease terms</p>
	<h4>People, culture and community</h4> <p>Social investment of \$10.8 million by the Goodman Foundation, employee fund raising and contributions in kind through efforts of employees worldwide, contributing almost 3,200 hours to volunteering in our communities</p> <p>The level of females in senior roles remained at 30% in FY23. Goodman continues to work towards 40% females in senior roles by 2030 and 50/50 representation overall by 2030</p> <p>Continued implementation of our Sustainable Sourcing Framework to support human rights and social procurement initiatives.</p> <p>Strong focus on reinforcing employee behaviours that are consistent with the Group's values</p> <p>Feedback from employees in various regions via surveys undertaken in FY23 indicates strong leadership, communication and high employee engagement</p>
	<h4>Environmental</h4> <p>Goodman, globally, is expected to maintain certification as a carbon-neutral organisation</p> <p>Goodman's global renewable energy usage is expected to be more than 80%, with the Australian operations consuming 100% certified GreenPower and other regions using renewable energy certificates</p> <p>Approximately 306 Megawatts (MW) of solar photovoltaic (PV) is now installed or committed across the global portfolio, an increase of 103MW in FY23</p> <p>Continued calculating the embodied emissions for all of Goodman's logistics developments globally and established a process for integrating into approval processes</p>
	<h4>Capital management</h4> <p>Maintained significant available liquidity of \$3.1 billion for the Group and capital resources of \$17.6 billion in the Partnerships</p> <p>Significant business growth while maintaining low gearing at 8.3%</p> <p>Group and Partnerships completed debt refinancing transactions totalling \$6.4 billion</p>

Over the past decade, the focus on the long term as influenced by the LTIP, has enabled the Group to establish a global business with significant specialist expertise, financial resources, and a strategic real estate portfolio. The business has been deliberately positioned 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 relatively high due to the long-term structural trends that have been identified many years ago
- + Proactive pursuit of planning and change of use through site identification, planning and power to intensify site utilisation into multistorey logistics, data centre and residential uses, and over the long term
- + 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 several years, including:

- + Significant reduction and maintenance of low financial leverage (gearing) with the target gearing range reduced to 0% to 25% and maintaining a position below the mid-point in the past five years. The Groups significant balance sheet flexibility allows it to be opportunistic in the more challenging Global environment
- + Increased quality of the property portfolio through more than \$30 billion of asset sales since 2013, concentrating the portfolio in predominantly urban infill markets and providing funding for the development of new buildings
- + Established and maintained 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 a significant proportion of development activity in Partnerships, which has reduced the 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
- + Maintained a conservative distribution pay-out ratio to retain funding for growing development activity
- + Investment in innovation and technology to provide knowledge of potential future risks and opportunities for our operations
- + Many of these strategic initiatives rely on foregoing some short-term returns to secure potentially larger long-term sustainable returns, and hence the value in the LTIP over ten years aligning with, and incentivising, long-term decisions.

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	FY18	FY19	FY20	FY21	FY22	FY23
Operating profit (\$M)	845.9	942.3	1,060.2	1,219.4	1,528.0	1,783.2
Operating EPS (cents)	46.7	51.6	57.5	65.6	81.3	94.3
Operating EPS growth (%)	8.3	10.5	11.4	14.1	24.0	16.0
Security price as at 30 June (\$)	9.62	15.03	14.85	21.17	17.84	20.07
Distributions per security (cents)	28.0	30.0	30.0	30.0	30.0	30.0
3-year TSR (%) ¹	69.5	130.8	103.4	133.4	24.7	41.3
NTA per security (\$)	4.64	5.34	5.84	6.68	8.37	9.12
Growth in NTA (\$B)	0.9	1.3	1.0	1.7	3.3	1.5
Gearing (%)	5.1	9.7	7.5	6.8	8.5	8.3
AUM (\$B)	38.3	46.2	51.6	57.9	73.0	81.0
Market capitalisation premium to NTA (\$B)	9.0	17.6	16.5	26.8	17.7	20.6

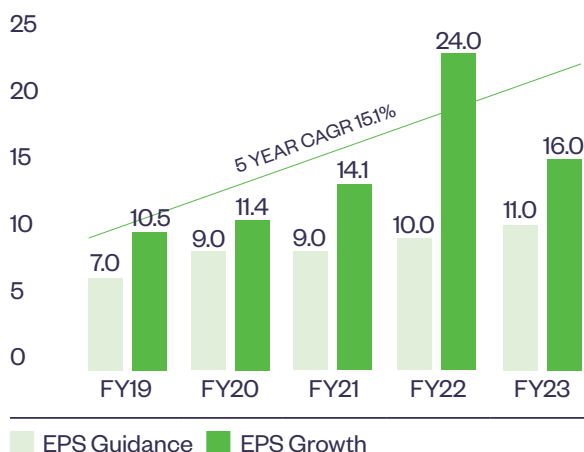
1. TSR is the increase in market capitalisation plus dividends and distributions, attributable to the respective financial year.

Directors' report

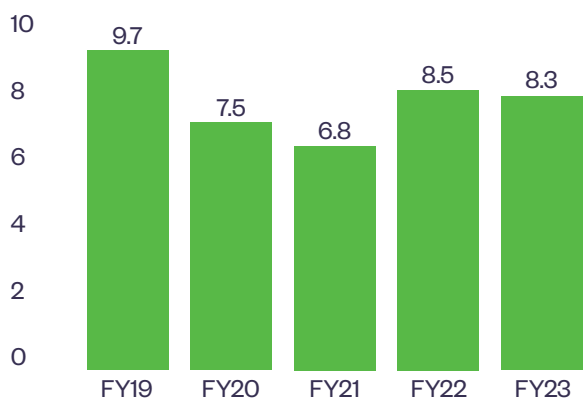
Remuneration report – audited (continued)

The key financial metrics which are aligned with the Group's strategy, long-term performance and LTI programs for all employees, are operating EPS and to a lesser extent relative TSR. CAGR in operating EPS over the past five years has been exceptional at 15.1%, which has exceeded forecasts. This has been achieved while at the same time as maintain low gearing, and not utilising the short-term benefits of low interest rates to financially engineer performance.

EPS "GUIDANCE" AND GROWTH %



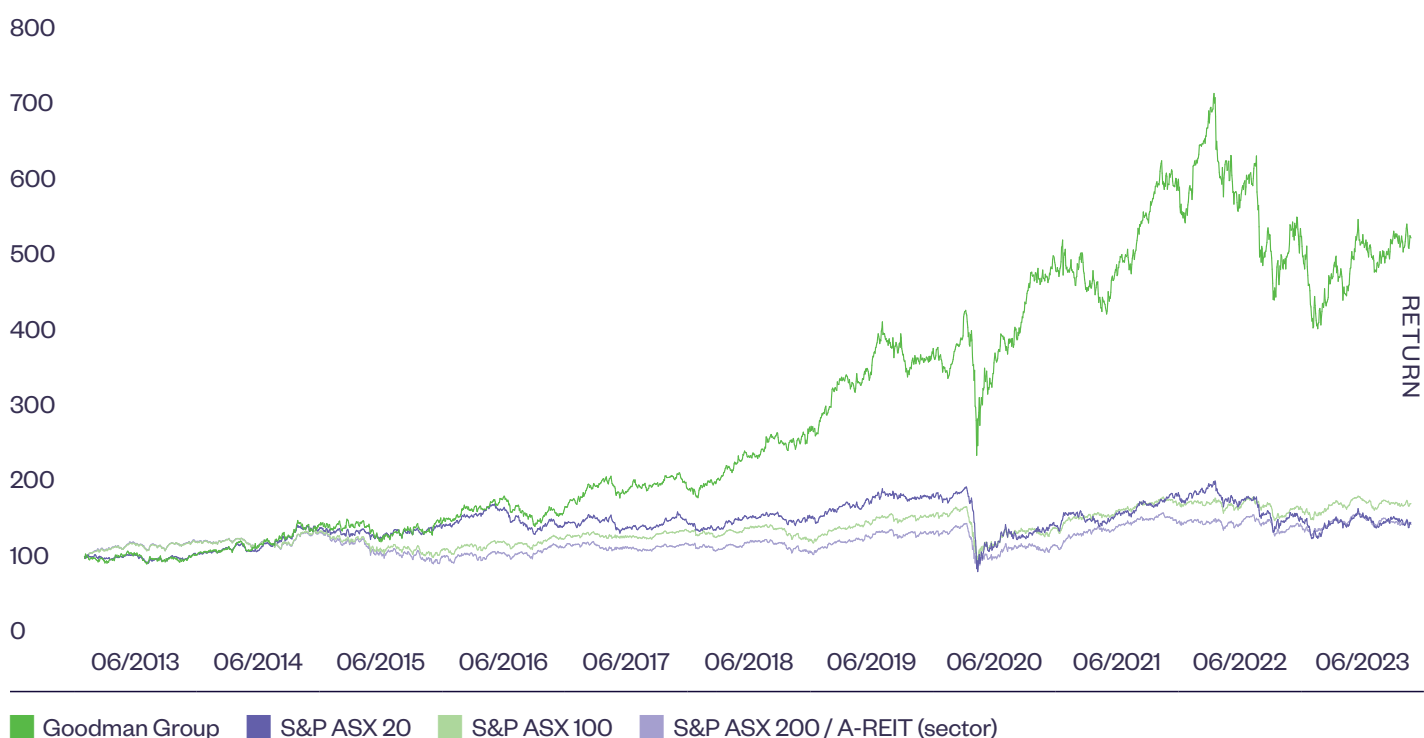
GEARING %



4.3 Total security price returns comparison

Goodman is the only real estate group currently in the S&P/ASX 20 and the 15th largest ASX listed entity at 30 June 2023 with a market capitalisation of \$37.8 billion. Despite the volatility in the past 12 to 18 months impacting pricing of global interest rate sensitive sectors, the chart below shows the Group has consistently outperformed the S&P/ASX 20, S&P/ASX 100 and S&P/ASX 200 A-REIT indices over medium to longer term. Importantly, underlying performance of the operations has been significantly ahead of guidance and the indices.

SECURITY PRICE RETURNS %



4.4 Remuneration outcomes for FY23

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 FY23 performance will be awarded in the form of performance rights.

Given the global nature of the Group's operations, the STI recommendations for the other executive KMP are based on the Remuneration and Nomination 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.

Based on the Group and individual performances in FY23, the executive KMP were eligible for the maximum STI.

Test	Metrics	Result
Gate 1: Behaviour	Code of Conduct: Pass/Fail	Pass
Gate 2: Operating EPS – FY23 operating EPS versus target	Operating EPS growth: Target 11% (90.3 cents)	16.0% operating EPS growth (94.3 cents)
Financial and operational assessments (including environmental objectives)	Individual assessment	Various (0% to 100%)

The table below indicates the maximum possible STI and the actual STI awarded for FY23.

Executive	Year	STI maximum	Actual STI awarded	Cash component	Deferred component	Actual STI % of maximum
		\$M	\$M	\$M	\$M	
Gregory Goodman	FY23	2.1	–	–	–	–
	FY22	2.1	–	–	–	–
Nick Kurtis	FY23	1.35	0.90	0.45	0.45	67
	FY22	1.05	1.0	0.5	0.5	95
Michael O'Sullivan	FY23	0.75	0.45	0.225	0.225	60
	FY22	0.75	0.55	0.275	0.275	73
Nick Vrontas	FY23	1.05	0.81	0.405	0.405	77
	FY22	1.05	0.90	0.45	0.45	86
		€M	€M	€M	€M	
Danny Peeters	FY23	0.97	0.63	0.315	0.315	65
	FY22	0.92	0.70	0.35	0.35	76
		US\$M	US\$M	US\$M	US\$M	
Anthony Rozic	FY23	1.425	0.950	0.475	0.475	67
	FY22	1.05	1.05	0.525	0.525	100

Directors' report

Remuneration report – audited (continued)

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 are on track to maintain certification under the Climate Active program for being a Carbon Neutral Organisation (FY23 certification is underway)
- + Committed to reducing and tracking carbon emissions in line with our science-based emissions reduction targets, validated by the Science Based Targets Initiative's (SBTi) validation team
- + Approximately 306MW of solar PV installed or committed on Goodman's properties globally, reaching approx. 75% of our 2025 target of 400MW
- + Continued transition to renewable energy across Goodman's operations, with global renewable energy usage for FY23 expected to be more than 80%. Significant work has been done to enable increased renewable energy use in future years
- + Integrated a consistent process for calculating and including embodied emissions into Goodman's approval process for new developments, with approximately 89 embodied carbon assessments completed on new developments during the year
- + Identified by Sustainalytics as a 'Sector' and 'Region' Top Rated ESG performer during 2023 with a 'Negligible' ESG risk rating
- + Ten Goodman entities made submissions to the Global Real Estate Sustainability Benchmark (GRESB) in FY23, with results due later this year. In the FY22 results, Goodman achieved an 'A' ESG public disclosure rating, and several Goodman Partnerships were awarded 'Sector Leader' status
- + Goodman's Task Force on Climate related Financial Disclosures (TCFD) statement has been updated and is available on the Goodman website
- + Sustainable design initiatives were included in our development specifications including solar PV, battery storage, electric vehicle charging points and LED lighting
- + Greater than 50% of Goodman's developments globally were completed on brownfield developments, enhancing circularity opportunities
- + Continued support of biodiversity initiatives relating to urban forests and reforestation, and investigations into collaboration opportunities with research institutes and industry experts
- + Zero workplace fatalities across Goodman's global operations including our workforce and contractors
- + Facilitated workshops in most regions to raise awareness on environment and social procurement
- + Contributed \$10.8 million to community and philanthropic causes.

The key areas of environmental and sustainability assessment, including new targets for FY24 onwards, are disclosed below. The form of disclosure below (subject to relevant evolution and changes over time as set by the Board) is used as the basis for future assessment of environmental and sustainability measures. The measures are formally set over the testing period for performance rights and are reviewed annually for relevant progress.

Environment and sustainability assessment

Existing LTI targets

Area	Long-term target	Progress	
Renewable Energy	100% renewable electricity use within Goodman's operations by 2025 (subject to government regulation in each jurisdiction)	Goodman's global renewable energy usage for FY23 is expected to be more than 80%, with continued use of certified GreenPower electricity in our Australian operations and use of renewable energy certificates in other regions.	On target
Solar PV Installation	400MW of solar PV installed or committed by 2025	Approximately 103MW of new solar installations or commitments taking global total to approximately 306MW, 75% of the way towards our 400MW target.	On target
Carbon Neutral	Carbon neutral operations by 2025	Carbon neutral certification in FY23 is on track, with certification submission to Climate Active due October 2023. This follows our initial carbon neutral certification in 2021.	Ahead of target
TCFD	Achieve TCFD by FY22	TCFD statement updated and available online.	
Occupancy	>95% (ensures utilisation of sites and therefore appropriate use of resources)	99%	Materially ahead of target

Additional Targets for FY24 onwards

Area	Long-term target	Progress	
Embodied Carbon	We are committed to measuring, reducing and offsetting embodied carbon emissions from our global development workbook and have commenced the process to reduce and offset this over time	Embodied carbon emissions calculated and included in all GIC development papers. During FY23, 89 embodied carbon assessments were completed. Reduction initiatives are longer-term and ongoing, demonstrated by our industry and supplier engagement, collaborations and carbon assessments of materials. Offset procurement guidance and criteria is continually refined and shared with the global teams. Several buildings have been developed on an embodied carbon neutral basis as offsets have been purchased and retired.	New target for FY24
Solar PV Installation	100MW additional solar PV installed or committed in total from 2026 to 2030	To be commenced from FY26 post initial 400MW target.	New target for FY24
Science Based Targets	In addition to our continued commitments to renewable energy and carbon neutrality, the Group has committed to Scope 1 and 2 greenhouse gas emissions reductions of 42% by 2030 in line with 1.5°C Paris Agreement pathway and validated by the SBTi validation team.	Scope 1 and 2 emissions are calculated annually and published within Goodman's annual sustainability report in September. FY23 emissions data will be finalised and included in the Data Metrics section of the FY23 Sustainability Report. For reference, our FY22 Scope 1 and 2 emissions data were on track to meet our 2030 targets under the SBTi.	New target for FY24

Directors' report

Remuneration report – audited (continued)

In addition, the following non-financial measures are assessed when determining STI and future LTI awards:

Code of conduct, behaviour, social and governance

Area	Long-term target	Progress	
Diversity			
Gender ratio in the workforce	50% gender ratio in the workforce by 2030	Female representation stable with total employees 44% female, 56% male overall. Significant progress has been made on career development (job scope widening, internal promotions etc.) and recruitment of females.	On target
Women in senior roles	More than 40% in senior roles by 2030	Women represent 30% of senior positions. The progress on female career development and recruitment of females into new roles should over time evolve into senior roles.	On target
Governance			
Workplace safety	Safe working environment with demonstrable risk controls, contractor management and monitoring of key safety metrics	There have been zero fatalities in FY23. This includes Goodman employees or contractors on Goodman controlled areas or contractor controlled sites. There has been significant focus on ensuring the implementation and execution of the Group's comprehensive safety processes and procedures.	On target
Significant reputational issues arising from illegal conduct	Zero	No issues have occurred.	On target
Social			
Social/charitable donations	\$50 million cumulative investment by Goodman Foundation from 2019 to 2030	\$10.8 million was contributed to community and philanthropic causes during FY23, taking our total investment to \$42.4 million since 1 July 2019.	Ahead of target

4.4.3 LTI outcomes

Testing as at 30 June 2023 was completed for the grants of performance rights made to executive KMP in respect of executive KMP performance in FY20 (called FY21 awards). The FY21 awards had two hurdles: operating EPS and a relative TSR (the mechanics of the testing are detailed in section 3.5.). The operating EPS hurdle was measured in the year ended 30 June 2023 against hurdles set in FY21. The relative TSR hurdle was measured over the three years ended 30 June 2023. Performance rights that achieved the hurdles will vest in three equal tranches in September 2023, September 2024 and September 2025.

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 unissued securities relating to performance rights which had passed the testing criteria at the start of the financial year. This is to account for the operating EPS dilution that will arise when those performance rights vest. Operating EPS for the year ended 30 June 2023 was 94.3 cents, compared to a hurdle of 74.5 cents at the upper level.

	Threshold level	Upper level	Actual	Outperformance	Outcome
FY21 LTIP grant – Operating EPS hurdle¹	68.5 cents	74.5 cents	94.3 cents	19.8 cents	100%

1. Testing period for grant: operating EPS from 1 July 2022 to 30 June 2023. At the threshold level, 25% satisfy the hurdle with a sliding scale up to 100% satisfying the hurdle at the upper level.

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:

- + Zero vesting 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 35.7% to 30 June 2023, under the LTIP TSR calculation methodology. This ranked Goodman in the 52nd percentile against the S&P/ASX 100 and consequently 52% of these performance rights vested.

	Goodman TSR ¹	S&P/ASX 100 TSR ¹	Percentile	Outcome
FY20 LTIP grant – TSR hurdle¹	35.7%	33.0%	52nd	52%

1. Testing period for grant was 1 July 2020 to 30 June 2023. In accordance with the LTIP, the TSR is based on the 10 day volume weighted average price (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 operating EPS hurdle and 52% of the relative TSR hurdle, it is expected that up to 10,723,875 equity settled performance rights will vest in September 2023, September 2024 and September 2025. In addition, up to 2,993,250 cash settled performance rights are also expected to vest and the Group currently intends to issue an equivalent number of new securities to satisfy this obligation.

Directors' report

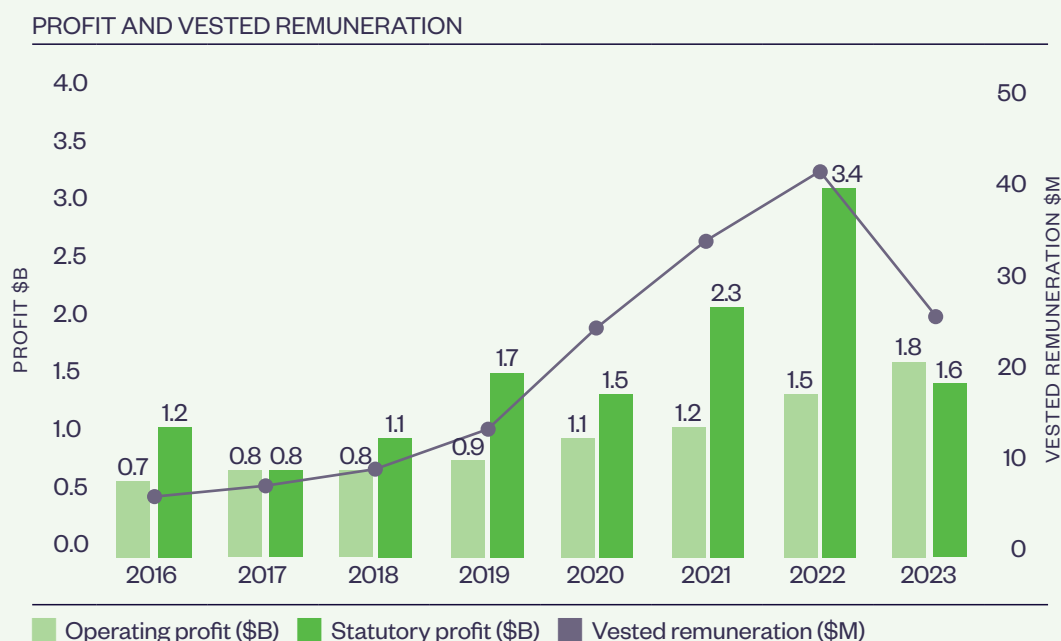
Remuneration report – audited (continued)

4.4.4 Group CEO achievements

In determining the Group CEO's remuneration, the Board acknowledged his strong leadership through the challenges of significant economic, market and operational volatility in the past two years, positioning the business for resilience and significant outperformance in FY23, far exceeding the Group's operational targets. It has also considered the following contributing factors and highlights:

Gregory Goodman	Group CEO
Leadership	<ul style="list-style-type: none"> + Developed and drove a consistent global business strategy across all markets to sustain the performance of the Group despite the increases in volatility, costs and risk in the global operating environment. Positioned the business in key locations providing future opportunities for development and higher cash flow resilience + The Group has adapted to the challenging global operating environment and continues to outperform targets, retaining employees and increasing community support and charitable programs + Positioned the business as a leader in its field, managing, motivating and incentivising key personnel across the platform to perform in highly competitive environment + Fostered a culture that focused on delivering quality across all aspects of the business: people, properties and service + Led 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, reflected in top decile engagement scores + Reinforced Goodman's purpose aimed at understanding the drivers of change and the needs of customers and all stakeholders to support their future success + Only 6.2% voluntary staff turnover in FY23, a marginal decrease from the level of FY22.
Financial and risk	<ul style="list-style-type: none"> + Fostered continuity of strategy over successive years leading to continued outperformance over benchmark indices and comparator companies in FY23, and with strong and sustained TSR of 151.36% over five years + Delivered: <ul style="list-style-type: none"> – Statutory profit of \$1.6 billion despite cap rate expansion in many markets and interest rate increases – Significant operating profit growth of 17% on FY22, to \$1,783 million, significantly ahead of budget – Revaluation growth across the Group and Partnership of \$0.8 billion – Operating EPS of 94.3 cents, up 16% on FY22 – NTA increased 9% to \$9.12 per security – Occupancy maintained at 99% + Exceeded earnings guidance in FY23 after posting significant outperformance in FY22 through the pandemic and volatile economic conditions + Drove a clearly defined capital management strategy with financial leverage of 8.3% and maintained a strong Group balance sheet with \$3.1 billion of liquidity + Continued managing relationships with capital partners and secured additional equity and financial facilities to total \$17.6 billion of available funding capacity + Integrated strong risk management approaches globally.
Environment	<ul style="list-style-type: none"> + 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: <ul style="list-style-type: none"> – Establishing a carbon neutral emissions target for the Group by 2025, achieving and maintaining since FY21 – Significant progress on the 2025 solar PV installation on the rooftops of Goodman's global portfolios and installing or committing to 103 MW in FY23 taking global installation and commitment to over 306MW – Implemented further Solar installation commitments from 2026-2030 this year – Maintained compliance with TCFD since FY21 + Established a process for measuring and assessing embodied carbon to transition to carbon neutral developments, including 89 projects reviewed in FY23. As part of a greater program to reduce embodied carbon, the CEO has encouraged partnerships with materials suppliers to accelerate production of components which will reduce our carbon footprint + Drove the development of science-based emissions reduction targets validated by the Science Based Target initiative as being ambitious and aligned with a 1.5°C Paris Agreement pathway + Supported implementation and progression of EV incentive scheme for staff globally to encourage a shift towards lower emissions vehicles.
Social and cultural	<ul style="list-style-type: none"> + Continued to lead 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 ten-year plan + Commenced new initiatives, including Goodman Foundation commitments. Initiatives during FY23 included: <ul style="list-style-type: none"> – Expanding Goodman's supply chain ethics towards a global supplier Code of Conduct, increasing the focus on human rights and potential modern slavery, including implementation of Supply Business Code of Conduct – Contributing \$10.8 million to community and philanthropic causes, including \$530,000 raised directly by staff. The Goodman Foundation focuses on community resilience, providing basic human needs e.g. food, housing and employment, psychological wellbeing, prevention of violence against women and children and responding to natural disasters and humanitarian issues. During the year, Goodman's founding food rescue partners have continued to provide meals to feed people in need and the Group has made a significant commitment to domestic violence prevention. The Group remains well ahead of its cumulative social investment target of \$50 million by 2030 – Enabling the Goodman team globally to contribute 3,172 hours to volunteering and community events.

The charts below demonstrate the performance of the Group and various key metrics relative to the Group CEO's vested remuneration outcomes in FY23 and prior years. They illustrate that the significant operating profit growth, security price growth and consequently returns for Securityholders over the testing and vesting periods, correlate with increased Group CEO remuneration over time. Despite significant market volatility and price movement in FY23, the market price of securities between the time of the grant and the time of vesting has seen significant growth, and the Group CEO (and all recipients of the LTIP) has participated in this performance alongside Securityholders.



The table below includes awarded remuneration at grant date and the vested remuneration over the past five years for the Group CEO. The figures in this table differ from the statutory disclosure in section 6 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 declined materially over time
- + 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 82% for grants vesting in FY23).

	FY18	FY19	FY20	FY21	FY22	FY23
	\$M	\$M	\$M	\$M	\$M	\$M
Base salary	1.4	1.4	1.4	1.4	1.4	1.4
STI	-	-	-	-	-	-
Value of LTI on grant date ¹	4.7	7.3	11.6	14.4	15.9	14.3
Value of LTI on vesting date	8.8	13.5	25.4	35.6	42.9	26.0
Total remuneration based on LTI value at grant date ¹	6.1	8.7	13.0	15.8	17.3	15.7
Total vested remuneration based on LTI value at vesting date	10.2	14.9	26.8	37.0	44.3	27.4
Increase in LTI value due to security price performance of the Group	4.1	6.2	13.8	21.2	26.9	11.7
Percentage growth in value of LTI during vesting period	88%	86%	119%	147%	169%	82%

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.

Directors' report

Remuneration report – audited (continued)

The chart below illustrates the increase in the value of the Group CEO's vested LTI in FY23 from the date of the original awards in 2018, 2019 and 2020. These significant gains have arisen due to consistent earnings growth and security price outperformance of the Group.

Value of LTIP on grant (\$M) Value of LTIP on vesting (\$M)



4.4.5 Other executive KMP achievements

In FY23, the Board considered the following highlights when assessing other executive KMP:

Danny Peeters	Executive Director, Corporate
	<ul style="list-style-type: none"> + Successfully overseeing Brazil, playing a critical role in communicating and reinforcing the Group's strategy, both from a real estate and corporate perspective – currently acting as CEO ad interim + Played a key role in overseeing the Brazil Investment Partnership with strong financial outcomes + Continued to progress acquisition and permitting of significant infill development sites, positioning the Group and Partnership in a strong position to capitalise on the growing e-commerce penetration + Construction completion including permits and successful leasing progress of major development sites despite the complicated regulatory and commercial context in Brazil – strong leasing results. Strong focus on quality of developments and property management to drive long term value of the assets + 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 + Further integrated the Brazil operation into the global network + Provided advice and support to senior management in Continental Europe and Group regarding sustainability, modern slavery and innovation initiatives + Further improved key controls and culture with the team working cohesively and increasing capability + Important direct link for the Board to the operations in Continental Europe and Brazil.

Anthony Rozic	Chief Executive Officer North America, and Deputy Group Chief Executive Officer
	<ul style="list-style-type: none"> + FY23 EBIT exceeded budget by 17.5% and valuations for the Partnership (\$1.1 billion) + Strong investment outperformance of 30.3% during the year + Played a 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, strong leadership in embedding the Goodman values in the behaviour of the team and encouraging teamwork and collaboration + With the post COVID-19 disruption, employees have returned to working at the office, enhancing team collaboration and productivity whilst maintaining focus on key operational priorities + Continued to develop 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 1.5 million square feet (AUD\$1.2 billion), completed 2.9 million square feet (A\$2.4 billion), stabilised 1.9 million square feet (\$1.6 billion) of infill development projects + Continued to grow infill development pipeline with acquisitions of in major US gateway cities providing strong positioning for future performance + Successfully grew the presence in the two new target markets of New York and San Francisco with the acquisition of strategic developments and value add opportunities + Extended the bank facility to a total debt maturity profile of 5.8 years whilst maintaining a total unsecured and rated debt platform of \$1.5 billion at a significantly below market average cost of debt. Maintained a conservative gearing level of 13.1% in the Partnership + Successfully oversaw strong growth in business operations in North America, achieving a number of key milestones: <ul style="list-style-type: none"> – Significant growth in AUM to \$10.6 billion – Stabilised occupancy of 100% – Maintained a long WALE of 8.2 years + Introduced new regional and global customer relationships to the portfolio over FY23 with a number of developments pre-leased and replenishing the land/value-add inventory. Emphasis on developing major infill sites and value-add development skill sets + Continued to successfully execute on numerous ESG initiatives including renewable energy, solar power and progressing with our first carbon neutral development in North America at Fullerton.

Nick Kurtis	Group Head of Equities
	<ul style="list-style-type: none"> + Formulated and implemented the Partnerships' strategies to successfully deliver significant total returns. + Partnership investment portfolio delivered: <ul style="list-style-type: none"> – Annualised average total return on net assets of 7.3% (based on the respective Partnership reporting periods) in excess of benchmark and target hurdle returns + Delivered strong performance metrics including: <ul style="list-style-type: none"> – Management earnings contribution of \$481 million to the Group's operating earnings including Performance fee revenue of \$42 million, with significant future embedded performance fees – Growth in external AUM up 11% to \$76.3 billion across 20 Partnerships in 14 countries + Facilitated over \$10bn in real estate transactions and over \$1.2bn in equity arrangements + Established new ventures to facilitate the growth of the partnership platform + Implemented strategic asset planning and new asset selection focus resulting in superior property level returns + Communicated and executed the Group's strategy and values across Investment Management platform + Communicated with key Capital Partners as the economic landscape evolved during the year and established investment and financing strategies to ensure portfolio investment program and execution was consistent with Capital Partner expectations + Oversight of Partnership capital management plans, including equity, debt and hedging strategies across the whole portfolio in all jurisdictions + Fostered strong relationships with existing and new Capital Partners + Provided strategic advice across a range of corporate and structural transactions in the business to position opportunities for future years.

Directors' report

Remuneration report – audited (continued)

Michael O'Sullivan	Group Chief Risk Officer (up to 28 March 2023)
	<ul style="list-style-type: none"> + Responsible for identifying, assessing, and monitoring risks at Goodman and reporting to the Audit, Risk and Compliance Committee + Overseen 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 + Performed 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 risk management frameworks with improved outcomes across the Group and Partnerships in FY23 adapting to the changing nature of our business including nature, scale, and complexity of development projects globally + Co-ordinated the 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, compliance, insurance and business continuity planning + Work closely with all Group functions, in particular, Finance, Legal, Compliance, Technical, Investment Management and IT in respect of risk management practices and processes in those specific functions + FY23 saw continued growth in Group activities, in relation to the GIC process including: <ul style="list-style-type: none"> – Over 330 GIC submissions with over 40% involving detailed involvement from the Group Risk function – WIP of \$13.0 billion with an annual production rate of circa \$7 billion – \$2.0 billion of asset sales, including both the disposals of directly held developments and disposals to external parties globally – \$7.8 billion of global acquisitions and development expenditure – 20 Partnership business plans and strategy proposals across \$76.3 billion of external AUM, in which the Group's equity investment was \$16.3 billion.

Nick Vrontas	Group Chief Financial Officer
	<ul style="list-style-type: none"> + 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 the strong FY23 operating profit + Improved oversight of balance sheet and income outcomes for the Group and Partnerships across multiple jurisdictions. Effective statutory and management financial reporting giving clarity to support strong operational and transactional decision making + Strengthened monitoring, coordination and consolidation of financial performance and financial position of regional business units to support them in exceeding their financial plans + Effectuated Financial Risk Management policies and commensurate capital management plans of Group and Partnerships that have placed the Group and Partnerships in a strong position to withstand the recent volatility. + In a volatile market environment, successfully oversaw and/or had direct involvement in debt finance transactions in banking and debt capital markets of over \$6.4bn for the Group and its Partnerships, adding liquidity, term to maturity and diversity of funding sources + Effective hedging and financial risk management through oversight and/or direct involvement in money market and hedge transactions of over \$8.5bn for the Group and Partnerships + Built improvements and resilience into systems and controls framework <ul style="list-style-type: none"> – Progressed framework for future risk mitigation measures – Led operational improvements in relation to business IT systems and processes, particularly considering the necessary changes that the recent operating climate have given rise to – Updated and improved various operational policies to enhance compliance and reduce risk + Demonstrated an ability to manage through variable market conditions + Maintained valuable relationships in the capital markets.

4.5 LTI grants in relation to FY23 performance

The remuneration proposed by the Board in respect of the executive KMP performance in FY23 comprise fixed remuneration, STI awards and awards under the LTIP.

As discussed in earlier sections, the Board has decided to reduce the number of performance rights to be issued to the Group CEO and other executive KMP under the LTIP, by approximately 10%. The Board believes the grants reflect a balance between the interests of Securityholders and the recipients.

The table below lists the maximum number of performance rights which could vest if the maximum hurdles are met over the four years ending 30 June 2027. The minimum vesting percentage is 0% if the threshold 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 2027 with the last tranche vesting ten years from initial grant, in September 2033.

The grants that the Board intends to make in September 2023 and proposes to make for Executive Directors after the AGM (subject to Securityholder approval) in respect of the executive KMP performance in FY23, are detailed below:

Executive	Year of grant	Performance rights proposed Number	Face value per performance right \$	Face value of grant \$M
Gregory Goodman	FY24	900,000	20.07	18.1
Danny Peeters	FY24	455,000	20.07	9.1
Anthony Rozic	FY24	500,000	20.07	10.0
Nick Kurtis	FY24	585,000	20.07	11.7
Nick Vrontas	FY24	500,000	20.07	10.0

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Remuneration report – audited (continued)

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 are set considering 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 2022 AGM, total remuneration (including superannuation) payable by Goodman to all Non-Executive Directors in aggregate must not exceed \$4.0 million per annum. The increase (previously the pool was capped at \$2.5 million) was to allow for recent Board appointments, which have increased the size and depth of operations of the Group, and responsibilities of Directors. For FY23, total Non-Executive Directors' remuneration was \$2.8 million (2022: \$2.4 million).
- + 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.

5.2 Board and committee annual fees

The current Board and Committee fees that applied (on an annualised basis) for the period 1 April 2023 to 30 June 2023 (and remain current) are set out below: the Remuneration Committee and the Nomination Committee were merged into the Remuneration & Nomination Committee on 1 April 2023, and the Audit Committee and the Risk and Compliance Committee were merged into the Audit, Risk and Compliance Committee on 1 April 2023. The Sustainability and Innovation Committee was established on 1 October 2022.

	Board	Audit, Risk and Compliance Committee	Remuneration and Nomination Committee	Sustainability and Innovation Committee
	\$	\$	\$	\$
Chairman	625,000	70,000	n/a	50,000
Member	240,000	30,000	30,000	30,000

During the period from 1 July 2022 to 30 March 2023 the Board and Committee fees were as set out below:

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

The remuneration of the Non-Executive Director of GLHK was HK\$680,000.

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	Superannuation benefits	Bonus (STI) ²	Other ³	Performance rights (LTI) ⁵	Total	STI and LTI as % of total	LTI as % of total
Executive KMP		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Gregory Goodman	FY23	1,417,919	-	-	1,417,919	25,292	-	(77,351)	12,797,691	14,163,551	90.4	90.4
	FY22	1,445,570	-	-	1,445,570	23,568	-	10,199	14,293,367	15,772,704	90.6	90.6
Nick Kurtis	FY23	873,642	-	-	873,642	25,292	900,000	31,622	5,909,166	7,739,722	88.0	76.3
	FY22	687,955	-	-	687,955	23,568	1,000,000	8,584	6,253,120	7,973,227	91.0	78.4
Michael O'Sullivan ⁶	FY23	322,691	-	-	322,691	18,703	450,000	6,952	3,099,847	3,898,193	91.1	79.5
	FY22	500,095	-	-	500,095	23,568	550,000	6,403	4,424,720	5,504,786	90.4	80.4
Nick Vrontas	FY23	712,123	-	-	712,123	25,292	810,000	(18,978)	5,221,710	6,750,147	89.4	77.4
	FY22	713,882	-	-	713,882	23,568	900,000	8,159	5,706,958	7,352,567	89.9	77.6
		€	€	€	€	€	€	€	€	€		
Danny Peeters ⁷	FY23	670,751	-	-	670,571	-	630,000	-	3,318,233	4,618,984	85.5	71.8
	FY22	610,450	-	-	610,450	-	700,000	-	3,539,015	4,849,465	87.4	73.0
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$		
Anthony Rozic ⁸	FY23	1,047,619	-	30,224	1,077,843	17,024	950,000	29,276	3,757,981	5,832,124	80.7	64.4
	FY22	729,880	-	20,149	750,029	17,100	1,050,000	14,651	4,305,210	6,136,989	87.3	70.2

The footnotes for this table are set out on the following page.

Directors' report

Remuneration report – audited (continued)

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.

Footnotes to the executive KMP remuneration table:

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 changes in long service leave provisions and in the prior year, car parking and reportable fringe benefits.
4. The Board agreed certain tax equalisation payments 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 USD 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 for which foreign income tax offsets from the Australian Taxation Office will be used to repay the advances.
At 1 July 2022, the advances made by Goodman amounted to USD 503,729 and as there have been no further advances or repayments during the year ended 30 June 2023, the balance at 30 June 2023 was 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 USD 30,224 (2022: USD 20,149). The notional interest amount has been 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. Michael O'Sullivan retired from his role as Group Chief Risk Officer and ceased to be a KMP on 28 March 2023. His remuneration disclosed is for the period he was a KMP.
7. 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.
8. 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.

6.2 Movements in performance rights held by executive KMP

The movements in the number of performance rights during FY23 are summarised as follows:

		Held at the start of the year	Granted as compensation	Vested	Forfeited	Held at the end of the year ¹
Executive Directors						
Gregory Goodman	FY23	5,010,001	1,000,000	(1,354,667)	(36,000)	4,619,334
	FY22	5,316,667	1,560,000	(1,866,666)	–	5,010,001
Danny Peeters	FY23	1,905,001	500,000	(478,668)	(13,998)	1,912,335
	FY22	1,846,667	625,000	(566,666)	–	1,905,001
Anthony Rozic	FY23	2,070,000	550,000	(521,601)	(15,198)	2,083,201
	FY22	2,013,333	690,000	(633,333)	–	2,070,000
Other executive KMP						
Nick Kurtis	FY23	2,275,000	645,000	(521,601)	(15,198)	2,383,201
	FY22	2,103,333	805,000	(633,333)	–	2,275,000
Michael O'Sullivan	FY23	1,596,667	450,000	(359,333)	(12,000)	1,675,334
	FY22	1,450,000	560,000	(413,333)	–	1,596,667
Nick Vrontas	FY23	2,090,000	550,000	(521,601)	(15,198)	2,103,201
	FY22	2,050,000	690,000	(650,000)	–	2,090,000

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

Directors' report

Remuneration report – audited (continued)

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 %	Forfeited %	Value of performance rights vested in the year ³ \$	Financial years in which grant vests ⁴
Gregory Goodman	1,000,000	17 Nov 2022	FY23	13.89	13,890,000	–	–	–	–	2027–2033
	1,560,000	18 Nov 2021	FY22	20.16	31,449,600	–	–	–	–	2026–2032
	950,000	19 Nov 2020	FY21	16.07	15,266,500	–	–	–	–	2024–2026
	900,000	20 Nov 2019	FY20	11.48	10,332,000	–	32.0	4.0	5,520,960	2023–2025
	1,600,000	15 Nov 2018	FY19	8.72	13,952,000	33.3	33.3	–	10,223,994	2022–2024
	1,600,000	16 Nov 2017	FY18	6.70	10,720,000	66.7	33.3	–	10,224,013	2021–2023
Danny Peeters	500,000	17 Nov 2022	FY23	13.89	6,945,000	–	–	–	–	2027–2033
	625,000	18 Nov 2021	FY22	20.16	12,600,000	–	–	–	–	2026–2032
	380,000	19 Nov 2020	FY21	16.07	6,106,600	–	–	–	–	2024–2026
	350,000	20 Nov 2019	FY20	11.48	4,018,000	–	32.0	4.0	2,147,059	2023–2025
	550,000	15 Nov 2018	FY19	8.72	4,796,000	33.3	33.3	–	3,514,494	2022–2024
	550,000	16 Nov 2017	FY18	6.70	3,685,000	66.7	33.3	–	3,514,513	2021–2023
Anthony Rozic	550,000	17 Nov 2022	FY23	13.89	7,639,500	–	–	–	–	2027–2033
	690,000	18 Nov 2021	FY22	20.16	13,910,400	–	–	–	–	2026–2032
	400,000	19 Nov 2020	FY21	16.07	6,428,000	–	–	–	–	2024–2026
	380,000	20 Nov 2019	FY20	11.48	4,362,400	–	32.0	4.0	2,331,091	2023–2025
	600,000	15 Nov 2018	FY19	8.72	5,232,000	33.3	33.3	–	3,834,000	2022–2024
	600,000	16 Nov 2017	FY18	6.70	4,020,000	66.7	33.3	–	3,834,000	2021–2023

The footnotes for this table are set out at the end of this section.

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 ⁴
Nick Kurtis	645,000	30 Sep 2022	FY23	11.69	7,540,050	-	-	-	-	2027-2033
	805,000	30 Sep 2021	FY22	17.22	13,862,100	-	-	-	-	2026-2032
	490,000	30 Sep 2020	FY21	15.77	7,727,300	-	-	-	-	2024-2026
	380,000	30 Sep 2019	FY20	11.26	4,278,800	-	32.0	4.0	2,331,091	2023-2025
	600,000	28 Sep 2018	FY19	8.52	5,112,000	33.3	33.3	-	3,834,000	2022-2024
	600,000	30 Sep 2017	FY18	6.41	3,846,000	66.7	33.3	-	3,834,000	2021-2023
Michael O'Sullivan	450,000	30 Sep 2022	FY23	11.69	5,260,500	-	-	-	-	2027-2033
	560,000	30 Sep 2021	FY22	17.22	9,643,200	-	-	-	-	2026-2032
	340,000	30 Sep 2020	FY21	15.77	5,361,800	-	-	-	-	2024-2026
	300,000	30 Sep 2019	FY20	11.26	3,378,000	-	32.0	4.0	1,840,320	2023-2025
	400,000	28 Sep 2018	FY19	8.52	3,408,000	33.3	33.3	-	2,555,994	2022-2024
	390,000	30 Sep 2017	FY18	6.41	2,499,900	66.7	33.3	-	2,492,100	2021-2023
Nick Vrontas	550,000	30 Sep 2022	FY23	11.69	6,429,500	-	-	-	-	2027-2033
	690,000	30 Sep 2021	FY22	17.22	11,881,800	-	-	-	-	2026-2032
	420,000	30 Sep 2020	FY21	15.77	6,623,400	-	-	-	-	2024-2026
	380,000	30 Sep 2019	FY20	11.26	4,278,800	-	32.0	4.0	2,331,091	2023-2025
	600,000	28 Sep 2018	FY19	8.52	5,112,000	33.3	33.3	-	3,834,000	2022-2024
	600,000	30 Sep 2017	FY18	6.41	3,846,000	66.7	33.3	-	3,834,000	2021-2023

Footnotes to the analysis of executive KMP performance rights table:

1. The fair value was determined at grant date for each of the tranches and calculated using a combination of the standard Black Scholes model with a continuous dividend/distribution yield and a Monte Carlo model which simulated total returns for each of the S&P/ASX 100 entities and discounted the future value of any potential future vesting performance rights to arrive at a present value.
2. As performance rights 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 year equalled the percentage of securities issued during the year.
3. The value of performance rights vested was calculated using the closing price of a Goodman security on the ASX of \$19.17 on 1 September 2022, 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.

Directors' report

Remuneration report – audited (continued)

6.4 Securities issued on exercise of performance rights

During FY23, Goodman issued 13,479,812 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:

Vesting date ¹	Exercise price \$	Number of performance rights ²
Ten-year plan		
Sep 2032	–	1,276,432
Sep 2031	–	2,883,576
Sep 2030	–	2,883,572
Sep 2029	–	2,883,571
Sep 2028	–	2,883,569
Sep 2027	–	2,883,569
Sep 2026	–	2,883,569
Sep 2025	–	1,607,142
Five-year plan		
Sep 2027	–	2,819,471
Sep 2026	–	5,258,340
Sep 2025	–	9,320,912
Sep 2024	–	9,917,043
Sep 2023	–	12,698,023

1. 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.

2. The number of performance rights at the date of this Directors' report is net of any rights forfeited and excludes 16,119,301 performance rights where the intention is to cash settle.

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:

		Salary and fees	Superannuation benefits	Total
		\$	\$	\$
Non-Executive Directors – GL and GFML				
Stephen Johns	FY23	599,708	25,292	625,000
	FY22	601,432	23,568	625,000
Christopher Green	FY23	330,000	–	330,000
	FY22	300,000	–	300,000
Mark Johnson	FY23	323,874	25,292	349,166
	FY22	306,432	23,568	330,000
Vanessa Liu ¹	FY23	262,500	–	262,500
	FY22	20,000	–	20,000
Rebecca McGrath ²	FY23	220,833	–	220,833
	FY22	344,108	5,892	350,000
Phillip Pryke ³	FY23	418,727	25,292	444,019
	FY22	408,701	23,568	432,269
Belinda Robson ⁴	FY23	81,569	8,431	90,000
	FY22	–	–	–
Hilary Spann ⁵	FY23	262,500	–	262,500
	FY22	59,048	–	59,048
Penny Winn ⁶	FY23	–	–	–
	FY22	107,850	9,195	117,045
George Zoghbi ⁷	FY23	55,059	5,691	60,750
	FY22	–	–	–
Non-Executive Director – GLHK		HK\$	HK\$	HK\$
David Collins ⁸	FY23	680,000	–	680,000
	FY22	680,000	–	680,000

1. Vanessa Liu was appointed as a Director on 1 June 2022.

2. Rebecca McGrath retired as a Director on 28 February 2023.

3. Salary and fees for Phillip Pryke included an amount of A\$91,516 (NZ\$100,000) (2022: A\$93,747 (NZ\$100,000)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.

4. Belinda Robson was appointed as a Director on 1 March 2023.

5. Hilary Spann was appointed as a Director on 4 April 2022.

6. Penny Winn retired as a Director on 18 November 2021.

7. George Zoghbi was appointed as a Director on 11 April 2023.

8. David Collins is a Director of GLHK and his Director's fees are disclosed in Hong Kong dollars.

Directors' report

Remuneration report – audited (continued)

6.7 Movements in Goodman securities held

The movements during the 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		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	FY23	41,143	–	–	–	41,143
	FY22	41,143	–	–	–	41,143
Christopher Green	FY23	78,996	–	–	–	78,996
	FY22	78,996	–	–	–	78,996
Mark Johnson	FY23	15,000	–	–	–	15,000
	FY22	5,000	–	10,000	–	15,000
Vanessa Liu	FY23	–	–	1,938	–	1,938
	FY22	–	–	–	–	–
Rebecca McGrath	FY23	43,061	–	–	–	43,061
	FY22	43,061	–	–	–	43,061
Phillip Pryke	FY23	59,880	–	–	–	59,880
	FY22	59,880	–	–	–	59,880
Belinda Robson	FY23	–	–	4,990	–	4,990
	FY22	–	–	–	–	–
Hilary Spann	FY23	3,500	–	9,775	–	13,275
	FY22	–	–	3,500	–	3,500
George Zoghbi	FY23	–	–	–	–	–
	FY22	–	–	–	–	–
Non-Executive Director – GLHK						
David Collins	FY23	5,000	–	–	–	5,000
	FY22	5,000	–	–	–	5,000
Executive Directors – GL and GFML						
Gregory Goodman	FY23	38,604,546	1,354,667	–	(1,289,726)	38,669,487
	FY22	38,487,880	1,866,666	–	(1,750,000)	38,604,546
Danny Peeters	FY23	2,199,797	478,668	–	(1,000,000)	1,678,465
	FY22	1,633,131	566,666	–	–	2,199,797
Anthony Rozic	FY23	951,307	521,601	–	–	1,472,908
	FY22	1,209,460	633,333	–	(891,486)	951,307
Other executive KMP						
Nick Kurtis	FY23	503,619	521,601	–	(525,000)	500,220
	FY22	554,286	633,333	–	(684,000)	503,619
Michael O'Sullivan	FY23	1,066,452	359,333	–	(509,333)	916,452
	FY22	843,119	413,333	–	(190,000)	1,066,452
Nick Vrontas	FY23	129,909	521,601	–	(521,601)	129,909
	FY22	129,909	650,000	–	(650,000)	129,909

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 (GreenPoint)

In order to enhance understanding of and access to technologies that may influence the property sector and the business, the Group committed to investing USD15.0 million in GreenPoint, a property technology fund that is a Delaware limited partnership, managed by GreenPoint Partners. GreenPoint Partners is beneficially owned and controlled by Christopher Green, a director of GL.

In FY23, the Group invested a further USD1.9 million and the total investment in GreenPoint at 30 June 2023 was USD7.2 million (30 June 2022: USD5.3 million). No distributions were received from GreenPoint in the current year (2022: \$0.8 million).

Wyuna Regenerative Ag Investment Fund (Wyuna)

As part of its ESG strategy, Goodman has committed to investing up to \$30.0 million in an integrated carbon credit and regenerative platform in Australia – Wyuna. Investing alongside Australia's Clean Energy Finance Corporation, this project assists land regeneration, sustainable food production and land-based solutions to climate change. Wyuna is managed by Wyuna Regenerative Ag Pty Limited, which is 50% owned by Christopher Green, a director of GL.

In FY23, GL invested \$11.9 million, and the total investment in Wyuna at 30 June 2023 was \$11.9 million (30 June 2022: \$nil). No distributions were received from Wyuna in the current and prior year.

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

Directors' report

(continued)

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 2023 have been properly maintained and the financial report for the year ended 30 June 2023 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, Risk and Compliance 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, Risk and Compliance 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 25 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 88 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.

A handwritten signature in black ink, appearing to be 'SJ', written in a cursive style.

Stephen Johns

Independent Chairman

A handwritten signature in black ink, appearing to be 'G Goodman', written in a cursive style.

Gregory Goodman

Group Chief Executive Officer

Sydney, 17 August 2023



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 2023 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.

A stylized, handwritten signature of the KPMG firm, appearing as 'KPMG' in a cursive script.

KPMG

A handwritten signature in black ink that reads 'Eileen Hoggett'.

Eileen Hoggett

Partner

Sydney

17 August 2023

Consolidated statements of financial position

as at 30 June 2023

		Goodman		GIT	
	Note	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current assets					
Cash and cash equivalents	20(a)	1,360.1	1,056.0	689.9	473.6
Receivables	6	243.1	217.8	242.1	131.0
Contract assets	7	72.9	77.6	–	–
Inventories	5(b)	464.2	389.0	–	–
Other financial assets	16	87.8	1.6	76.6	1.6
Assets held for sale	8	509.6	608.2	509.6	608.2
Total current assets		2,737.7	2,350.2	1,518.2	1,214.4
Non-current assets					
Receivables	6	231.0	173.4	3,122.4	3,137.4
Inventories	5(b)	1,781.3	1,727.1	–	5.9
Investment properties	5(b)	1,644.8	1,423.7	234.4	495.3
Investments accounted for using the equity method	5(b)	16,285.2	14,379.6	13,012.3	11,356.1
Deferred tax assets	4(d)	43.9	25.2	–	–
Other financial assets	16	381.5	496.4	251.7	373.1
Property, plant and equipment	11	71.7	61.4	–	–
Intangible assets	13	850.1	795.4	–	–
Total non-current assets		21,289.5	19,082.2	16,620.8	15,367.8
Total assets		24,027.2	21,432.4	18,139.0	16,582.2
Current liabilities					
Payables	9	683.4	606.5	170.9	72.7
Current tax payables	4(c)	170.2	173.4	–	–
Interest bearing liabilities	15	–	133.3	–	133.3
Provisions	10	301.5	299.2	188.4	233.5
Lease liabilities	12	12.3	12.5	–	–
Other financial liabilities	16	143.9	71.2	63.9	25.9
Total current liabilities		1,311.3	1,296.1	423.2	465.4
Non-current liabilities					
Payables	9	390.2	111.0	778.0	723.8
Interest bearing liabilities	15	3,292.9	2,698.9	2,982.8	2,692.1
Deferred tax liabilities	4(d)	458.2	380.3	375.0	267.9
Provisions	10	14.3	15.5	–	–
Lease liabilities	12	55.4	58.1	–	–
Other financial liabilities	16	480.1	447.7	383.6	325.3
Total non-current liabilities		4,691.1	3,711.5	4,519.4	4,009.1
Total liabilities		6,002.4	5,007.6	4,942.6	4,474.5
Net assets		18,024.8	16,424.8	13,196.4	12,107.7
Equity attributable to Securityholders					
Issued capital	19(a)	8,273.3	8,206.1	8,355.4	8,154.5
Reserves		774.6	352.7	459.1	238.8
Retained earnings		8,976.9	7,866.0	4,381.9	3,714.4
Total equity attributable to Securityholders		18,024.8	16,424.8	13,196.4	12,107.7
Comprising:					
Total equity attributable to GL	21(a)	2,731.4	2,292.9		
Total equity attributable to other entities stapled to GL	21(b)	15,293.4	14,131.9		
Total equity attributable to Securityholders		18,024.8	16,424.8		

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 2023

Goodman				GIT	
	Note	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Revenue					
Gross property income	1	122.8	138.0	27.4	51.7
Management income	1	438.9	511.4	–	–
Development income	1	1,407.2	1,441.6	22.6	–
Distributions from investments		–	0.8	27.7	6.4
		1,968.9	2,091.8	77.7	58.1
Property and development expenses					
Property expenses		(31.7)	(33.7)	(9.8)	(16.5)
Development expenses	1	(606.7)	(554.9)	(6.7)	–
		(638.4)	(588.6)	(16.5)	(16.5)
Other income					
Net gain from fair value adjustments on investment properties	5(e)	278.9	260.1	229.0	208.3
Net gain on disposal of investment properties		3.6	73.6	(0.6)	69.8
Net gain on disposal of assets held for sale		–	12.5	–	–
Net gain on disposal of equity investments	1	–	0.2	–	–
Share of net results of equity accounted investments	5(f)	1,022.4	2,718.2	1,079.1	2,173.0
		1,304.9	3,064.6	1,307.5	2,451.1
Other expenses					
Employee expenses	1	(271.6)	(258.9)	–	–
Share based payments expense	1	(286.0)	(257.6)	–	–
Administrative and other expenses		(100.9)	(90.4)	(74.5)	(60.4)
		(658.5)	(606.9)	(74.5)	(60.4)
Profit before interest and tax		1,976.9	3,960.9	1,294.2	2,432.3
Net finance (expense)/income					
Finance income	14	22.9	8.3	179.2	72.8
Finance expense	14	(257.7)	(231.1)	(236.3)	(304.4)
Net finance expense		(234.8)	(222.8)	(57.1)	(231.6)
Profit before income tax		1,742.1	3,738.1	1,237.1	2,200.7
Income tax expense	4	(182.2)	(324.1)	(99.1)	(133.1)
Profit for the year		1,559.9	3,414.0	1,138.0	2,067.6
Profit attributable to GL	21(a)	288.2	552.6		
Profit attributable to other entities stapled to GL	21(b)	1,271.7	2,861.4		
Profit for the year attributable to Securityholders		1,559.9	3,414.0		
Basic profit per security (¢)	2	83.0	183.2		
Diluted profit per security (¢)	2	81.3	178.8		

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 2023

	Note	Goodman		GIT	
		2023 \$M	2022 \$M	2023 \$M	2022 \$M
Profit for the year		1,559.9	3,414.0	1,138.0	2,067.6
Other comprehensive income/(loss) for the year					
Items what will not be classified to profit or loss					
Actuarial gains on defined benefit retirement schemes, net of income tax		0.5	5.6	–	–
Effect of foreign currency translation		(2.6)	1.6	–	–
		(2.1)	7.2	–	–
Items that are or may be reclassified subsequently to profit or loss					
(Decrease)/increase due to revaluation of other financial assets		(0.2)	0.3	(15.6)	5.0
Cash flow hedges:					
– Change in value of financial instruments		2.4	15.9	2.4	15.9
Effect of foreign currency translation		363.2	143.7	200.6	221.8
		365.4	159.9	187.4	242.7
Other comprehensive income for the year, net of income tax		363.3	167.1	187.4	242.7
Total comprehensive income for the year		1,923.2	3,581.1	1,325.4	2,310.3
Total comprehensive income attributable to GL	21(a)	294.9	542.7		
Total comprehensive income attributable to other entities stapled to GL	21(b)	1,628.3	3,038.4		
Total comprehensive income for the year attributable to Securityholders		1,923.2	3,581.1		

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 2023

Goodman	Attributable to Securityholders									
		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 2021		8,096.4	(6.7)	(4.4)	(90.7)	274.7	(38.1)	134.8	4,930.3	13,161.5
Total comprehensive income/(loss) for the year										
Profit for the year		–	–	–	–	–	–	–	3,414.0	3,414.0
Other comprehensive income/(loss)										
Effect of foreign currency translation		–	–	(0.4)	144.1	–	1.6	145.3	–	145.3
Cash flow hedges:										
– Change in value of financial instruments		–	–	15.9	–	–	–	15.9	–	15.9
Increase due to revaluation of other financial assets		–	0.3	–	–	–	–	0.3	–	0.3
Actuarial gains on defined benefit superannuation funds, net of income tax		–	–	–	–	–	5.6	5.6	–	5.6
Total other comprehensive income for the year, net of income tax		–	0.3	15.5	144.1	–	7.2	167.1	–	167.1
Total comprehensive income for the year, net of income tax		–	0.3	15.5	144.1	–	7.2	167.1	3,414.0	3,581.1
Transfers		–	–	–	–	(81.8)	–	(81.8)	81.8	–
Contributions by and distributions to owners										
Dividends/distributions on stapled securities	18	–	–	–	–	–	–	–	(560.1)	(560.1)
Issue of stapled securities	19	109.8	–	–	–	–	–	–	–	109.8
Issue costs		(0.1)	–	–	–	–	–	–	–	(0.1)
Purchase of stapled securities for the LTIP		–	–	–	–	(28.0)	–	(28.0)	–	(28.0)
Equity settled share based payments expense		–	–	–	–	164.8	–	164.8	–	164.8
Deferred taxes associated with the LTIP		–	–	–	–	(4.2)	–	(4.2)	–	(4.2)
Balance at 30 June 2022		8,206.1	(6.4)	11.1	53.4	325.5	(30.9)	352.7	7,866.0	16,424.8
Total comprehensive income/(loss) for the year										
Profit for the year		–	–	–	–	–	–	–	1,559.9	1,559.9
Other comprehensive income/(loss)										
Effect of foreign currency translation		–	(0.5)	0.5	363.2	–	(2.6)	360.6	–	360.6
Cash flow hedges:										
– Change in value of financial instruments		–	–	2.4	–	–	–	2.4	–	2.4
Decrease due to revaluation of other financial assets		–	(0.2)	–	–	–	–	(0.2)	–	(0.2)
Actuarial gains on defined benefit superannuation funds, net of income tax		–	–	–	–	–	0.5	0.5	–	0.5
Total other comprehensive income for the year, net of income tax		–	(0.7)	2.9	363.2	–	(2.1)	363.3	–	363.3
Total comprehensive income for the year, net of income tax		–	(0.7)	2.9	363.2	–	(2.1)	363.3	1,559.9	1,923.2
Transfers		–	–	–	–	(115.6)	–	(115.6)	115.6	–
Contributions by and distributions to owners										
Dividends/distributions on stapled securities	18	–	–	–	–	–	–	–	(564.6)	(564.6)
Issue of stapled securities	19	67.4	–	–	–	–	–	–	–	67.4
Issue costs		(0.2)	–	–	–	–	–	–	–	(0.2)
Equity settled share based payments expense		–	–	–	–	173.6	–	173.6	–	173.6
Deferred taxes associated with the LTIP		–	–	–	–	0.6	–	0.6	–	0.6
Balance at 30 June 2023		8,273.3	(7.1)	14.0	416.6	384.1	(33.0)	774.6	8,976.9	18,024.8

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

For an analysis of equity attributable to non-controlling interests, refer to note 21(b).

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 2021		7,849.0	4.6	(4.5)	(220.8)	187.0	(33.7)	2,160.6	9,975.9
Total comprehensive income/(loss) for the year									
Profit for the year		-	-	-	-	-	-	2,067.6	2,067.6
Other comprehensive income/(loss)									
Effect of foreign currency translation		-	(0.2)	(0.3)	222.3	-	221.8	-	221.8
Cash flow hedges:									
- Change in value of financial instruments		-	-	15.9	-	-	15.9	-	15.9
Increase due to revaluation of other financial assets		-	5.0	-	-	-	5.0	-	5.0
Total other comprehensive income for the year, net of income tax		-	4.8	15.6	222.3	-	242.7	-	242.7
Total comprehensive income for the year		-	4.8	15.6	222.3	-	242.7	2,067.6	2,310.3
Contributions by and distributions to owners									
Distributions on ordinary units	18	-	-	-	-	-	-	(513.8)	(513.8)
Issue of ordinary units	19(a)	71.2	-	-	-	-	-	-	71.2
Issue of ordinary units for the LTIP	19(a)	234.4	-	-	-	-	-	-	234.4
Issue costs on ordinary units		(0.1)	-	-	-	-	-	-	(0.1)
Equity settled share based payments transactions		-	-	-	-	29.8	29.8	-	29.8
Balance at 30 June 2022		8,154.5	9.4	11.1	1.5	216.8	238.8	3,714.4	12,107.7
Total comprehensive income/(loss) for the year									
Profit for the year		-	-	-	-	-	-	1,138.0	1,138.0
Other comprehensive income/(loss)									
Effect of foreign currency translation		-	0.8	0.4	199.4	-	200.6	-	200.6
Cash flow hedges:									
- Change in value of financial instruments		-	-	2.4	-	-	2.4	-	2.4
Decrease due to revaluation of other financial assets		-	(15.6)	-	-	-	(15.6)	-	(15.6)
Total other comprehensive income for the year, net of income tax		-	(14.8)	2.8	199.4	-	187.4	-	187.4
Total comprehensive income for the year		-	(14.8)	2.8	199.4	-	187.4	1,138.0	1,325.4
Contributions by and distributions to owners									
Distributions on ordinary units	18	-	-	-	-	-	-	(470.5)	(470.5)
Issue of ordinary units	19(a)	42.5	-	-	-	-	-	-	42.5
Issue of ordinary units for the LTIP	19(a)	158.5	-	-	-	-	-	-	158.5
Issue costs on ordinary units		(0.1)	-	-	-	-	-	-	(0.1)
Equity settled share based payments transactions		-	-	-	-	32.9	32.9	-	32.9
Balance at 30 June 2023		8,355.4	(5.4)	13.9	200.9	249.7	459.1	4,381.9	13,196.4

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

Consolidated cash flow statements

for the year ended 30 June 2023

Goodman				GIT	
	Note	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Cash flows from operating activities					
Property income received		125.2	138.4	29.5	50.8
Cash receipts from development activities		1,416.7	1,587.8	17.5	–
Cash receipts from management and other activities		477.8	523.8	–	–
Property expenses paid		(30.1)	(28.6)	(7.7)	(13.9)
Payments for development activities		(589.6)	(1,220.7)	(0.5)	(1.1)
Other cash payments in the course of operations		(495.5)	(456.8)	(75.8)	(60.4)
Distributions received from equity investments, including Partnerships		583.5	442.5	329.0	245.3
Interest received		19.5	9.3	12.3	8.9
Finance costs paid		(59.2)	(44.2)	(95.1)	(32.5)
Net income taxes paid		(164.1)	(110.5)	(2.1)	(1.1)
Net cash provided by operating activities	20(b)	1,284.2	841.0	207.1	196.0
Cash flows from investing activities					
Net proceeds from disposal of investment properties		629.7	671.8	629.9	345.6
Proceeds from disposal of controlled entities, net of cash disposed		–	0.4	–	–
Net proceeds from disposal of equity investments		352.4	4.4	348.8	22.6
Return of capital by Partnerships		–	91.8	–	20.9
Payments for investment properties		(441.2)	(431.7)	(37.7)	(15.1)
Payments for investments in Partnerships		(1,243.9)	(1,332.3)	(671.5)	(1,050.0)
Payments for property, plant and equipment		(13.0)	(5.9)	–	–
Net cash (used in)/provided by investing activities		(716.0)	(1,001.5)	269.5	(676.0)
Cash flows from financing activities					
Net proceeds from issue of stapled securities		67.2	109.7	42.5	71.1
Net cash (outflows)/inflows from loans with related parties		(58.0)	111.4	191.7	279.6
Proceeds from borrowings and derivative financial instruments		1,029.3	1,466.5	712.3	1,456.4
Payments on borrowings and derivative financial instruments		(772.0)	(789.3)	(722.9)	(787.4)
Dividends and distributions paid		(562.1)	(557.2)	(515.6)	(446.6)
Payments of lease liabilities		(13.2)	(13.4)	–	–
Purchase of securities to fund LTIP obligations		–	(28.0)	–	–
Net cash (used in)/provided by financing activities		(308.8)	299.7	(292.0)	573.1
Net increase in cash held		259.4	139.2	184.6	93.1
Cash and cash equivalents at the beginning of the year		1,056.0	920.4	473.6	379.8
Effect of exchange rate fluctuations on cash held		44.7	(3.6)	31.7	0.7
Cash and cash equivalents at the end of the year	20(a)	1,360.1	1,056.0	689.9	473.6

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

Non-cash transactions are included in note 20(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.

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 17 August 2023.

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 controlled foreign operation are recognised in the foreign currency translation reserve on consolidation.

Notes to the consolidated financial statements

Basis of preparation (continued)

Exchange rates used

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

Australian dollar (AUD) to	Weighted average		As at 30 June	
	2023	2022	2023	2022
New Zealand dollar (NZD)	1.0927	1.0667	1.0871	1.1057
Hong Kong dollar (HKD)	5.2751	5.6626	5.2235	5.4241
Chinese yuan (CNY)	4.6804	4.6840	4.8339	4.6154
Japanese yen (JPY)	92.3936	85.1512	96.1530	93.7770
Euro (EUR)	0.6433	0.6442	0.6109	0.6594
British pound sterling (GBP)	0.5592	0.5456	0.5249	0.5676
United States dollar (USD)	0.6731	0.7255	0.6664	0.6912
Brazilian real (BRL)	3.4743	3.8037	3.1911	3.5905

Changes in accounting policies

The Group has adopted Amendments to AASB 112 – International Tax Reform – Pillar Two Model Rules, which was effective from 29 June 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately and require new disclosures about the Pillar Two exposure from 30 June 2024. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 30 June 2023 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group's financial statements at 30 June 2023.

The AASB has also issued other amendments to standards that were first effective from 1 July 2022 but none of these had 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 5 – Property assets
- + Note 13 – Goodwill and intangible assets
- + Note 17 – 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 5 – Property assets
- + Note 17 – Financial risk management.

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.

1 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.

Notes to the consolidated financial statements

Results for the year (continued)

1 Profit before income tax (continued)

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 exceed 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 by the purchaser usually occur on completion of the development once legal title has been transferred, but payments may be made during the development period on achievement of agreed milestones. The development period can exceed 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 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.

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

		Goodman		GIT	
	Note	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Gross property income					
Rental income		110.4	120.9	22.1	41.4
Recovery of property outgoings		12.4	17.1	5.3	10.3
Gross property income		122.8	138.0	27.4	51.7
Management activities					
Management services		438.7	380.5	–	–
Performance related income		0.2	130.9	–	–
Management income		438.9	511.4	–	–
Development activities					
Income from disposal of inventories		706.9	803.0	18.3	–
Income from fixed price development contracts		231.9	206.8	–	–
Other development income, including development management ¹		440.2	388.3	–	–
Net gain on disposal of assets held for sale		4.3	–	4.3	–
Net gain on disposal of special purpose development entities, including JVs		23.9	43.5	–	–
Development income		1,407.2	1,441.6	22.6	–
Inventory cost of sales		(420.7)	(381.8)	(6.7)	–
Other development expenses		(186.0)	(173.1)	–	–
Development expenses		(606.7)	(554.9)	(6.7)	–
Disposal of equity investments					
Net consideration from disposal of associates and JVs		–	8.5	–	–
Carrying value of associates and JVs disposed	5(f)	–	(8.3)	–	–
Net gain on disposal of equity investments		–	0.2	–	–
Employee expenses					
Wages, salaries and on–costs		(265.7)	(251.4)	–	–
Annual and long service leave		2.1	(0.6)	–	–
Superannuation costs		(8.0)	(6.9)	–	–
Employee expenses		(271.6)	(258.9)	–	–
Share based payments expense					
Equity settled share based payments expense		(173.6)	(164.8)	–	–
Cash settled share based payments expense		(85.7)	(57.3)	–	–
Other share based payments related costs		(26.7)	(35.5)	–	–
Share based payments expense		(286.0)	(257.6)	–	–
Amortisation and depreciation		(16.7)	(17.1)	–	–

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, \$41.7 million (2022: \$77.0 million) of such income was recognised.

Notes to the consolidated financial statements

Results for the year (continued)

2 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

	2023 ¢	2022 ¢
Profit per security		
Basic profit per security	83.0	183.2
Diluted profit per security	81.3	178.8

Profit after tax of \$1,559.9 million (2022: \$3,414.0 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:

	2023	2022
	Number of securities	
Weighted average number of securities used in calculating basic profit per security	1,878,611,049	1,863,693,802
Effect of performance rights on issue	40,542,511	45,396,402
Weighted average number of securities used in calculating diluted profit per security	1,919,153,560	1,909,090,204

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.

	2023 ¢	2022 ¢
Profit per Goodman Limited share		
Basic profit per Goodman Limited share	15.3	29.7
Diluted profit per Goodman Limited share	15.0	28.9

Profit after tax of \$288.2 million (2022: \$552.6 million) was used in calculating basic and diluted profit per Goodman Limited share.

3 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 (including the Hong Kong SAR) and Japan), Continental Europe (with the majority of assets located in Germany, France, Spain and Netherlands), the United Kingdom and the Americas (principally North America and including 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 share-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.

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.

Notes to the consolidated financial statements

Results for the year (continued)

3 Segment reporting (continued)

Information about reportable segments

Goodman	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Income statement												
External revenues												
Gross property income	66.3	90.4	29.8	15.4	22.8	27.5	0.7	3.0	3.2	1.7	122.8	138.0
Management income	176.1	256.2	156.8	131.3	57.5	91.0	7.5	5.7	41.0	27.2	438.9	511.4
Development income	238.0	207.6	125.0	192.0	742.2	891.9	93.8	32.8	208.2	117.3	1,407.2	1,441.6
Total external revenues	480.4	554.2	311.6	338.7	822.5	1,010.4	102.0	41.5	252.4	146.2	1,968.9	2,091.0
Analysis of external revenues												
Revenue from contracts with customers												
Assets and services transferred at a point in time	194.6	71.7	28.0	25.0	534.4	792.0	33.7	12.8	–	–	790.7	901.5
Assets and services transferred over time	227.6	405.2	256.1	299.5	267.3	193.7	67.6	25.7	249.1	144.5	1,067.8	1,068.6
Other revenue												
Rental income (excludes outgoing recoveries)	58.2	77.3	27.5	14.2	20.8	24.7	0.7	3.0	3.2	1.7	110.4	120.9
Total external revenues	480.4	554.2	311.6	338.7	822.5	1,010.4	102.0	41.5	252.3	146.2	1,968.9	2,091.0
Reportable segment profit before tax	869.5	616.9	310.3	386.4	392.7	582.5	172.1	41.1	343.7	210.8	2,088.3	1,837.7
Share of net results of equity accounted investments	464.5	1,171.5	28.5	215.4	(100.1)	174.9	(117.6)	213.6	747.9	942.8	1,023.2	2,718.2
Material non-cash items not included in reportable segment profit before tax												
Net gain/(loss) from fair value adjustments on investment properties	279.3	260.4	(0.4)	(0.3)	–	–	–	–	–	–	278.9	260.1
Share of net gain/(loss) from fair value adjustments in equity accounted investments	292.5	1,012.0	(52.2)	96.2	(146.2)	119.9	(152.5)	203.8	598.6	839.3	540.2	2,271.2
	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$MM	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Statement of financial position												
Reportable segment assets	9,070.8	8,106.2	4,592.0	4,162.0	2,634.4	2,779.7	1,049.5	1,024.9	5,350.3	4,030.8	22,697.0	20,103.6
Included in reportable segment assets are:												
Investment properties	882.5	1,086.9	451.7	336.8	–	–	–	–	310.6	–	1,644.8	1,423.7
Investments accounted for using the equity method	6,666.0	5,709.6	3,231.5	3,102.8	964.6	1,020.7	586.6	680.6	4,825.4	3,865.9	16,274.1	14,379.6
Non-current assets	7,968.1	7,195.8	4,243.2	3,888.8	2,347.6	2,483.6	926.8	966.6	5,154.6	3,876.3	20,640.3	18,411.1
Additions to non-current assets include:												
– Investment properties	31.7	22.9	101.4	181.2	–	–	–	243.7	307.5	–	440.6	447.8
– Investments accounted for using the equity method	974.6	455.8	213.2	159.7	15.6	63.3	138.0	162.1	167.6	431.3	1,509.0	1,272.2
Reportable segment liabilities	432.7	129.9	278.2	268.6	139.8	122.6	38.3	94.5	434.9	319.5	1,323.9	935.1

GIT	Australia and New Zealand		Asia		Continental Europe		Americas		Total	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Income statement										
External revenues										
Gross property income	27.4	51.7	–	–	–	–	–	–	27.4	51.7
Development income	22.6	–	–	–	–	–	–	–	22.6	–
Distributions from investments	–	–	–	–	27.7	5.6	–	–	27.7	5.6
Total external revenues	50.0	51.7	–	–	27.7	5.6	–	–	77.7	57.3
Analysis of external revenues										
Revenue from contracts with customers										
Assets and services transferred a point in time	22.6	–	–	–	–	–	–	–	22.6	–
Assets and services transferred over time	5.3	10.3	–	–	–	–	–	–	5.3	10.3
Other revenue										
Rental income (excludes outgoings recoveries)	22.1	41.4	–	–	–	–	–	–	22.1	41.4
Distributions from investments	–	–	–	–	27.7	5.6	–	–	27.7	5.6
Total external revenues	50.0	51.7	–	–	27.7	5.6	–	–	77.7	57.3
Reportable segment profit before tax	175.1	239.7	33.7	34.5	63.9	57.3	126.9	91.0	399.6	422.5
Share of net results of equity accounted investments	488.3	1,053.0	(39.8)	66.4	(90.2)	144.9	720.8	908.7	1,079.1	2,173.0
Material non-cash items not included in reportable segment profit before tax										
Net gain from fair value adjustments on investment properties	229.0	208.3	–	–	–	–	–	–	229.0	208.3
Share of net gain/(loss) from fair value adjustments in equity accounted investments	345.3	917.7	(76.3)	31.7	(122.1)	97.5	577.0	808.8	723.9	1,855.7
Statement of financial position	Australia and New Zealand		Asia		Continental Europe		Americas		Total	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Reportable segment assets	6,795.3	6,178.8	1,739.4	1,719.4	801.7	878.5	4,693.3	3,736.5	14,030.2	12,513.1
Included in reportable segment assets are:										
Investment properties	234.4	495.3	–	–	–	–	–	–	234.4	495.3
Investments accounted for using the equity method	5,826.0	5,054.0	1,739.9	1,719.4	795.2	856.4	4,651.2	3,726.3	13,012.3	11,356.1
Non-current assets	6,060.4	5,555.1	1,739.9	1,719.4	801.0	877.8	4,651.2	3,726.3	13,252.5	11,878.6
Additions to non-current assets include:										
– Investment properties	25.7	17.6	–	–	–	–	–	–	25.7	17.6
– Investments accounted for using the equity method	756.2	509.9	31.0	35.5	–	61.9	161.6	415.7	948.8	1,023.0
Reportable segment liabilities	346.2	45.2	–	–	–	–	376.5	269.5	722.7	314.7

Notes to the consolidated financial statements

Results for the year (continued)

3 Segment reporting (continued)

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

		Goodman		GIT	
	Note	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Revenues					
Total revenues for reportable segments		1,968.9	2,091.0	77.7	57.3
Total revenues for other segments		–	0.8	–	0.8
Consolidated revenues		1,968.9	2,091.8	77.7	58.1
Profit or loss					
Total profit before tax for reportable segments					
Property investment earnings		531.4	494.6	400.2	422.5
Management earnings		480.6	588.4	–	–
Development earnings ¹²		1,301.2	960.7	–	–
Operating expenses allocated to reportable segments		(224.9)	(206.0)	(0.6)	–
Reportable segment profit before tax		2,088.3	1,837.7	399.6	422.5
Corporate expenses not allocated to reportable segments		(147.6)	(143.3)	(73.9)	(59.1)
		1,940.7	1,694.4	325.7	363.4
Valuation and other items not included in reportable segment profit before tax:					
– Net gain from fair value adjustments on investment properties	5(e)	278.9	260.1	229.0	208.3
– Share of fair value adjustments attributable to investment properties in Partnerships	5(f)	544.7	2,272.9	716.5	1,849.0
– Share of fair value adjustments on derivative financial instruments in Partnerships	5(f)	(4.5)	(1.7)	7.4	6.7
– Share based payments expense	1	(286.0)	(257.6)	–	–
– Straight lining of rental income and tax deferred adjustments		14.9	(1.0)	15.6	4.9
– Realisation of prior years' property valuation gains, net of deferred tax ¹		(511.8)	–	–	–
Profit before interest and tax		1,976.9	3,967.1	1,294.2	2,432.3
Net finance expense ²	14	(234.8)	(229.0)	(57.1)	(231.6)
Consolidated profit before income tax		1,742.1	3,738.1	1,237.1	2,200.7
Assets					
Assets for reportable segments		22,697.0	20,103.6	14,030.2	12,513.3
Cash		590.0	649.4	448.6	450.6
Other unallocated amounts ³		740.2	679.4	3,660.2	3,618.3
Consolidated total assets		24,027.2	21,432.4	18,139.0	16,582.2
Liabilities					
Liabilities for reportable segments		1,323.9	935.1	722.7	314.7
Interest bearing liabilities		3,292.9	2,832.2	2,982.8	2,825.4
Provisions for dividends/distributions to Securityholders	18	282.5	280.0	188.4	233.5
Other unallocated amounts ³		1,103.1	960.3	1,048.7	1,100.9
Consolidated total liabilities		6,002.4	5,007.6	4,942.6	4,474.5

1. Realisation of prior years' property valuation gains, net of deferred tax is a non-IFRS measure and relates to the Group's share of realised valuation gains on repositioned properties (both directly and indirectly owned) that have transacted during the year. During FY23, \$511.8 million of these realised valuation gains have been included in development earnings and as at 30 June 2023, the Group's share of unrealised valuation gains since the repositioning activities commenced was \$271.3 million (30 June 2022: \$429.6 million). Refer to page 23 of the Directors report for further details.

2. In the prior year, development earnings included \$6.2 million of interest income from a loan to a development JV. The interest income is reported under finance income in note 14.

3. 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.

4 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current tax expense recognised in the income statement				
Current year	(141.8)	(142.4)	(2.9)	(6.0)
Changes in estimates related to prior years	7.2	7.3	–	–
Current tax expense	(134.6)	(135.1)	(2.9)	(6.0)
Deferred tax expense recognised in the income statement				
Origination and reversal of temporary differences	(47.6)	(189.0)	(96.2)	(127.1)
Deferred tax expense	(47.6)	(189.0)	(96.2)	(127.1)
Total income tax expense recognised in the income statement	(182.2)	(324.1)	(99.1)	(133.1)

Notes to the consolidated financial statements

Results for the year (continued)

4 Taxation (continued)

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

	Goodman	
	2023 \$M	2022 \$M
Profit before income tax	1,742.1	3,738.1
Prima facie income tax expense calculated at 30% (2022: 30%) on the profit before income tax	(522.6)	(1,121.4)
Decrease/(increase) in income tax due to:		
– Profit attributable to GIT Unitholders	333.0	680.4
– Current year losses for which no deferred tax asset was recognised	(8.8)	(36.8)
– Other (non-deductible)/non-assessable items, net	(61.0)	168.7
– Benefit of previously unrecognised temporary differences, including tax losses	128.3	95.7
– Difference in overseas tax rates	50.1	23.6
– Changes in estimates related to prior years	7.2	7.3
– Taxes on Partnership income	(108.6)	(149.7)
– Other items	0.2	8.1
Income tax expense	(182.2)	(324.1)

GIT

The income tax expense recorded by GIT relates to withholding taxes on actual distributions and deferred taxes on potential future distributions from Partnerships. Refer to note 4(e).

(c) Current tax receivables/payables

	Goodman	
	2023 \$M	2022 \$M
Net income tax payable		
Net income tax payable at the beginning of the year	(169.5)	(144.0)
Decrease/(increase) in current tax payable due to:		
– Net income taxes paid	164.1	110.5
– Current tax expense	(134.6)	(135.1)
– Other	(18.3)	(0.9)
Net income tax payable at the end of the year	(158.3)	(169.5)
Current tax receivables (refer to note 6)	11.9	3.9
Current tax payables	(170.2)	(173.4)
	(158.3)	(169.5)

(d) Deferred tax assets and liabilities

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

	Goodman			
	Deferred tax assets		Deferred tax liabilities	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Investment properties ¹	–	–	(493.6)	(403.4)
LTIP	68.8	39.3	–	–
Other items	20.4	19.9	(9.9)	(10.9)
Tax assets/(liabilities)	89.2	59.2	(503.5)	(414.3)
Set off of tax	(45.3)	(34.0)	45.3	34.0
Net tax assets/(liabilities)	43.9	25.2	(458.2)	(380.3)

1. Including withholding tax on potential future distributions from the disposal of investment properties by Partnerships.

Movements in deferred taxes recognised in expenses and equity are attributable to the following:

	Goodman	
	2023 \$M	2022 \$M
Deferred tax (expense)/benefit recognised in expenses		
Investment properties – fair value adjustments	(47.7)	(206.7)
LTIP	28.9	16.2
Other items	(28.8)	1.5
Total deferred tax expense recognised in expenses	(47.6)	(189.0)
Deferred tax (expense)/benefit recognised in equity		
LTIP	0.6	(4.2)
Other items	–	–
Total deferred tax benefit/(expense) recognised in equity	0.6	(4.2)
Total deferred tax movements recognised in expenses and equity	(47.0)	(193.2)

Deferred tax assets of \$281.8 million (2022: \$266.9 million) arising primarily from tax losses (revenue and capital in nature) and deductions associated with the LTIP have not been recognised by Goodman.

GIT

At 30 June 2023, deferred tax liabilities of \$375.0 million (2022: \$267.9 million) have been recognised in relation to withholding tax on potential future distributions from the disposal of investment properties by Partnerships.

(e) 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

OPERATING ASSETS AND LIABILITIES

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

5 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 two 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 receivables in the statement of financial position.

(b) Summary of investment in property assets

Goodman				GIT	
	Note	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Inventories					
Land and development properties – current	5(d)	464.2	389.0	–	–
Land and development properties – non-current	5(d)	1,781.3	1,727.1	–	5.9
		2,245.5	2,116.1	–	5.9
Assets held for sale					
Investment properties	8	515.3	609.3	515.3	609.3
Investment properties					
Stabilised investment properties		1,125.3	1,286.6	25.2	358.3
Investment properties under development		519.5	137.1	209.2	137.0
	5(e)	1,644.8	1,423.7	234.4	495.3
Investments accounted for using the equity method					
Associates	5(f)(i)	8,315.4	7,850.7	7,291.9	6,814.4
JVs	5(f)(ii)	7,969.8	6,528.9	5,720.4	4,541.7
		16,285.2	14,379.6	13,012.3	11,356.1
Total property assets		20,690.8	18,528.7	13,246.7	11,857.3

(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, rental income 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 knowledgeably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in 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/or 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. The number of sales and the circumstances of each sale are assessed to determine whether a market segment is active or inactive.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

5 Property assets (continued)

Where a market segment is observed to be active, then external independent valuations are instructed for stabilised investment properties where there has been a combination of factors that are likely to have resulted in a material movement in valuation. The considerations include a greater than 10% movement in market rents, more than a 25 basis point movement in capitalisation rates, 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), significant capital expenditure, a change in use (or zoning), a development has reached completion/stabilisation of the asset or it has been two 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:

- + Current contractual lease terms
- + Current market rents
- + Projected growth in market rents
- + Expected and likely capital expenditures
- + Projected letting up incentives provided to customers and vacant time on expiry of leases
- + Discount rates – 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

With the more volatile economic conditions in FY23 compared to prior years, there have been fewer transactions of industrial, logistics and warehousing properties during the year. Nevertheless, at 30 June 2023, 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				
Division	Goodman		GIT	
	2023 %	2022 %	2023 %	2022 %
Australia and New Zealand	4.4	3.9	4.3	3.8
Asia	4.4	4.3	4.1	3.8
Continental Europe	4.5	3.5	4.5	3.5
United Kingdom	4.9	3.7	–	–
Americas	4.7	4.1	4.7	4.1

In respect of the Group's and GIT's directly held stabilised investment properties at 30 June 2023, 72% (2022: 57%) and 100% (2022: 100%), respectively, had been valued by an external independent valuer during the financial year. All independent valuers used by the Group are required to hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.

For the Partnerships, all properties that had been stabilised investment properties throughout FY23 were valued by an external independent valuer during the financial 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. The usual valuation methods are either based on income capitalisation or market comparison. Where the income capitalisation method is adopted, then the stabilised investment property valuations at 30 June 2023 are most sensitive to the following inputs:

- + Capitalisation rates
- + Market rents
- + Incentives provided to customers and/or vacant time on expiry of leases.

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

Valuation technique	Significant unobservable inputs	2023	2022
Income capitalisation	Range of net market rents (per square metre per annum)	\$110 to \$450	\$90 to \$450
	Average capitalisation rate	4.5%	4.4%
Market comparison	Price per square metre	\$1,851 to \$21,218	\$1,786 to \$18,019

The impacts on the Group's financial position that would arise from the changes in capitalisation rates, market rents and incentives/re-leasing time 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	
	Valuation impact for the Group		Valuation impact for GIT	
	Directly held properties	Partnerships ¹	Directly held properties	Partnerships ¹
	\$M	\$M	\$M	\$M
Book value at 30 June 2023	1,640.6	18,519.4	540.5	14,651.3
Changes in capitalisation rates				
Increase in cap rates +50 bps	(163.5)	(1,860.8)	(58.0)	(1,499.6)
Increase in cap rates +25 bps	(86.0)	(979.9)	(30.6)	(790.3)
Decrease in cap rates -25 bps	96.2	1,096.8	34.6	886.3
Decrease in cap rates -50 bps	204.3	2,332.9	73.9	1,887.2
Changes in market rents				
Decrease in rents -10%	(57.2)	(791.4)	(19.2)	(627.3)
Decrease in rents -5%	(28.6)	(395.7)	(9.6)	(313.6)
Increase in rents +5%	28.6	395.7	9.6	313.6
Increase in rents +10%	57.2	791.4	19.2	627.3
Changes in incentives/re-leasing time²				
Increase in incentives/ re-leasing time +3 months	(3.6)	(42.4)	(1.8)	(31.7)
Increase in incentives/ re-leasing time +6 months	(7.3)	(84.8)	(3.6)	(63.4)

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

For the directly held investment properties under development, external independent valuations are generally not performed, but instead valuations are determined at each reporting date using the feasibility assessments supporting the developments. The end values of the developments in the feasibility assessments are based on assumptions such as capitalisation rates, market rents, incentives provided to customers and vacant time 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 are 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 higher. 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.

In respect of the Partnerships, certain Partnerships obtain external independent valuations of investment properties under development at reporting dates. However, the majority determine the fair values at reporting dates by reference to the feasibility assessments, with external independent valuations obtained when the properties have been stabilised.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

5 Property assets (continued)

(d) Inventories

	Goodman		GIT	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current				
Land and development properties	464.2	389.0	-	-
	464.2	389.0	-	-
Non-current				
Land and development properties	1,781.3	1,727.1	-	5.9
	1,781.3	1,727.1	-	5.9

Goodman

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

During the financial year, borrowing costs of \$5.1 million (2022: \$3.1 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Carrying amount at the beginning of the year	1,423.7	1,851.2	495.3	1,155.7
Acquisitions	407.1	420.4	-	-
Capital expenditure	33.5	27.4	25.4	17.6
Carrying value of properties disposed	(0.2)	(546.5)	-	(276.9)
Transfers to assets held for sale	(515.3)	(609.3)	(515.3)	(609.3)
Transfers from inventories	-	2.5	-	-
Net gain from fair value adjustments	278.9	260.1	229.0	208.3
Effect of foreign currency translation	17.1	17.9	-	(0.1)
Carrying amount at the end of the year	1,644.8	1,423.7	234.4	495.3
Analysed by segment:				
Australia and New Zealand	882.5	1,086.9	234.4	495.3
Asia	451.7	336.8	-	-
Americas	310.6	-	-	-
	1,644.8	1,423.7	234.4	495.3

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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Non-cancellable operating lease commitments receivable:				
Less than one year	58.3	57.6	17.3	27.1
One to two years	51.0	47.4	17.1	20.1
Two to three years	42.6	37.9	14.6	14.8
Three to four years	29.6	24.5	12.5	8.4
Four to five years	22.8	15.9	11.4	5.5
More than five years	137.4	87.0	54.6	10.9
	341.7	270.3	127.5	86.8

(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.

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 Partnerships are accounted for using the equity method. Under this method, Goodman's investment is initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include Goodman's share of the gains or losses and other comprehensive income of Partnerships until the date on which significant influence or joint control ceases.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

5 Property assets (continued)

(i) Investments in associates

Investments in Partnerships classified as associates are set out below:

Goodman								GIT					
Name of associate	Country of establishment	Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
		2023 \$M	2022 \$M	2023 %	2022 %	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 %	2022 %	2023 \$M	2022 \$M
Property investment													
Goodman Australia Industrial Partnership (GAIP)	Australia	300.7	503.4	28.6	28.6	3,453.6	3,008.3	300.7	503.4	28.6	28.6	3,453.6	3,008.3
Goodman Australia Partnership (GAP)	Australia	106.8	234.1	19.9	19.9	1,133.6	1,060.0	106.8	234.1	19.9	19.9	1,133.6	1,060.0
Goodman Property Trust (GMT) ¹	New Zealand	(29.5)	150.0	25.2	24.9	797.9	825.9	(6.2)	31.6	5.4	5.1	169.6	170.3
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	(39.8)	66.4	20.4	20.3	1,739.9	1,719.4	(39.8)	66.4	20.4	20.3	1,739.9	1,719.4
Goodman Japan Core Partnership (GJCP) ²	Japan	32.7	47.3	14.4	14.4	394.9	380.7	–	–	–	–	–	–
Goodman European Partnership (GEP)	Luxembourg	(90.2)	144.9	19.8	19.8	795.2	856.4	(90.2)	144.9	19.8	19.8	795.2	856.4
Other associates		(0.6)	–			0.3	–						
		280.1	1,146.1			8,315.4	7,850.7	271.3	980.4			7,291.9	6,814.4

1. GMT is listed on the New Zealand Stock Exchange (NZX). At 30 June 2023, the market value of Goodman's investment in GMT using the quoted price on the last day of trading was \$721.7 million (2022: \$651.7 million), which compared to the carrying value of \$797.9 million. Goodman does not consider its investment impaired as the carrying value is equal to its share of GMT's net assets and is supported by independent valuations of the individual investment properties in GMT.

GIT has a 5.4% ownership interest in GMT, which forms part of Goodman's 25.2% ownership interest in GMT. As a result, the Directors have assessed that GIT has significant influence over GMT and has applied the equity method of accounting for its 5.4% interest.

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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Movement in carrying amount of investments in associates				
Carrying amount at the beginning of the year	7,850.7	6,302.6	6,814.4	5,292.9
Share of net results after tax (before fair value adjustments)	230.3	242.7	194.9	201.3
Share of fair value adjustments attributable to investment properties after tax	47.1	914.7	71.8	790.9
Share of fair value adjustments on derivative financial instruments	2.7	(11.3)	4.6	(11.8)
Share of net results	280.1	1,146.1	271.3	980.4
Share of movements in reserves	2.4	15.0	2.4	15.0
Acquisitions	261.6	575.6	255.6	605.1
Disposals	–	(4.9)	–	–
Distributions received and receivable	(210.1)	(193.2)	(181.8)	(155.1)
Effect of foreign currency translation	130.7	9.5	130.0	76.1
Carrying amount at the end of the year	8,315.4	7,850.7	7,291.9	6,814.4

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

5 Property assets (continued)

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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Summarised statement of financial position												
Total current assets	923.5	1,081.6	38.4	100.6	13.8	6.1	161.4	187.4	220.3	232.2	107.4	200.2
Total non-current assets	13,872.8	12,266.3	7,012.5	6,513.1	4,508.6	4,435.0	11,529.7	10,679.1	3,929.9	3,825.8	6,793.9	6,818.2
Total current liabilities	454.4	348.9	126.5	142.1	131.3	24.0	457.7	244.9	301.6	231.8	226.5	233.7
Total non-current liabilities	2,349.4	2,545.6	1,290.6	1,212.3	1,223.1	1,105.8	2,711.3	2,236.3	1,105.9	1,189.4	2,655.8	2,456.5
Net assets (100%)	11,992.5	10,453.4	5,633.8	5,259.3	3,168.0	3,311.3	8,522.1	8,385.3	2,742.7	2,636.8	4,019.0	4,328.2
Summarised statement of comprehensive income												
Revenue	523.9	459.0	320.5	288.6	117.7	112.1	386.7	287.8	196.3	204.6	280.1	239.0
Profit after tax and revaluations	1,050.2	1,739.1	536.4	1,181.0	(117.7)	701.7	(194.5)	326.6	216.6	329.4	(455.9)	656.1
Other comprehensive income	–	–	–	–	–	–	11.8	74.7	–	–	–	–
Total comprehensive income (100%)	1,050.2	1,739.1	536.4	1,181.0	(117.7)	701.7	(182.7)	401.3	216.6	329.4	(455.9)	656.1
Goodman												
Consolidated ownership interest	28.6%	28.6%	19.9%	19.9%	25.2%	24.9%	20.4%	20.3%	14.4%	14.4%	19.8%	19.8%
Consolidated share of net assets	3,434.7	2,990.7	1,121.7	1,047.2	797.9	825.7	1,738.5	1,706.2	395.1	380.8	795.2	856.4
Other items, including capitalised costs	–	0.1	–	–	–	0.2	1.4	1.3	(0.2)	(0.1)	–	–
Distributions receivable ¹	18.9	17.5	11.9	12.8	–	–	–	11.9	–	–	–	–
Carrying amount of investment	3,453.6	3,008.3	1,133.6	1,060.0	797.9	825.9	1,739.9	1,719.4	394.9	380.7	795.2	856.4
Distributions received and receivable	73.3	66.3	33.1	25.1	19.0	17.8	38.8	35.5	13.3	20.3	32.6	28.2
GIT												
Consolidated ownership interest	28.6%	28.6%	19.9%	19.9%	5.4%	5.1%	20.4%	20.3%	–	–	19.8%	19.8%
Consolidated share of net assets	3,434.7	2,990.7	1,121.7	1,047.2	170.1	169.6	1,738.5	1,706.2	–	–	795.2	856.4
Other items, including capitalised costs	–	0.1	–	–	(0.5)	0.7	1.4	1.3	–	–	–	–
Distributions receivable ¹	18.9	17.5	11.9	12.8	–	–	–	11.9	–	–	–	–
Carrying amount of investment	3,453.6	3,008.3	1,133.6	1,060.0	169.6	170.3	1,739.9	1,719.4	–	–	795.2	856.4
Distributions received and receivable	73.3	66.3	33.1	25.1	4.0	–	38.8	35.5	–	–	32.6	28.2

1. Distributions receivable related to distributions provided for but not paid by the Partnerships at 30 June 2023. This was applicable to trusts in Australia where unitholders were presently entitled to income at the end of the financial year.

(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	2023 \$M	2022 \$M	2023 %	2022 %	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 %	2022 %	2023 \$M	2022 \$M
Property investment and development													
Goodman China Logistics Partnership (GCLP)	Cayman Islands	26.8	56.8	20.0	20.0	923.3	918.0	-	-	-	-	-	-
Goodman UK Partnerships (GUKP) ¹	United Kingdom	(125.4)	213.4	35.0	35.3	573.7	676.3	-	-	-	-	-	-
Goodman North America Partnership (GNAP)	United States of America	745.0	938.6	55.0	55.0	4,798.5	3,846.0	717.9	904.4	53.0	53.0	4,624.2	3,706.4
Other JVs		95.9	363.3			1,674.3	1,088.6	89.9	288.2			1,096.2	835.3
		742.3	1,572.1			7,969.8	6,528.9	807.8	1,192.6			5,720.4	4,541.7

1. The consolidated ownership interest in GUKP reflected the weighted average ownership in GUKP, GUKP II and GUKP III.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

5 Property assets (continued)

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

	Goodman		GIT	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Movement in carrying amount of investments in JVs				
Carrying amount at the beginning of the year	6,528.9	4,357.4	4,541.7	2,785.5
Share of net results after tax (before fair value adjustments)	251.9	204.3	160.3	116.0
Share of fair value adjustments attributable to investment properties after tax	497.6	1,358.2	644.8	1,058.1
Share of fair value adjustments on derivative financial instruments	(7.2)	9.6	2.7	18.5
Share of net results	742.3	1,572.1	807.8	1,192.6
Share of movements in reserves	(0.1)	7.2	-	-
Acquisitions	1,259.3	696.8	693.2	417.9
Disposals	(351.0)	(3.4)	(350.9)	-
Transfer on reclassification as a controlled entity	-	(15.6)	-	-
Capital return	-	(91.8)	-	(20.9)
Distributions/dividends received and receivable	(373.9)	(248.7)	(120.0)	(83.8)
Effect of foreign currency translation	164.3	254.9	148.6	250.4
Carrying amount at the end of the year	7,969.8	6,528.9	5,720.4	4,541.7

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

	GCLP ¹		GUKP		GNAP	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2023 \$M
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	398.2	427.4	44.2	41.1	99.0	75.0
Other current assets	198.2	148.3	15.8	12.9	11.2	56.8
Total current assets	596.4	575.7	60.0	54.0	110.2	131.8
Total non-current assets	6,660.0	6,303.3	2,216.0	2,421.8	10,290.6	8,270.0
Current liabilities						
Other current liabilities	3,067.4	2,940.6	55.1	24.7	246.7	273.8
Total current liabilities	3,067.4	2,940.6	55.1	24.7	246.7	273.8
Non-current liabilities						
Financial liabilities	1,354.2	1,111.8	583.1	537.8	1,445.7	1,144.3
Other non-current liabilities	733.4	718.3	–	–	(6.8)	–
Total non-current liabilities	2,087.6	1,830.1	583.1	537.8	1,438.9	1,144.3
Net assets (100%)	2,101.4	2,108.3	1,637.8	1,913.3	8,715.2	6,983.7
Summarised statement of comprehensive income						
Revenue	210.0	215.0	93.2	39.8	392.3	250.0
Net finance (expense)/income	(32.7)	(20.3)	(11.3)	(1.0)	(13.2)	14.9
Income tax expense	(44.1)	(46.3)	(0.2)	(0.2)	(0.7)	(0.4)
Profit after tax and revaluations	134.2	283.8	(337.0)	575.6	1,354.5	1,706.6
Other comprehensive income	(0.1)	36.2	–	–	–	–
Total comprehensive income (100%)	134.1	320.0	(337.0)	575.6	1,354.5	1,706.6
Goodman						
Consolidated ownership interest	20.0%	20.0%	35.0%	35.3%	55.0%	55.0%
Consolidated share of net assets	420.3	421.7	573.2	676.0	4,793.4	3,841.0
Shareholder loan ¹	499.6	492.9	–	–	–	–
Other items, including capitalised costs	3.4	3.4	0.5	0.3	5.1	5.0
Carrying amount of investment	923.3	918.0	573.7	676.3	4,798.5	3,846.0
Distributions/dividends received and receivable	8.5	7.3	160.5	3.9	110.1	68.9
GIT						
Consolidated ownership interest	–	–	–	–	53.0%	53.0%
Consolidated share of net assets	–	–	–	–	4,619.2	3,701.4
Other items, including capitalised costs	–	–	–	–	5.0	5.0
Carrying amount of investment in JV	–	–	–	–	4,624.2	3,706.4
Distributions/dividends received and receivable	–	–	–	–	106.1	66.4

1. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest free and 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 \$254.9 million (2022: \$1,333.2 million) and total other comprehensive income was \$nil (2022: \$nil). With respect to GIT's other JVs, the total profit after tax and revaluations was \$317.2 million (2022: \$1,024.5 million) and total other comprehensive income was \$nil (2022: \$nil).

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current				
Trade receivables	20.9	7.8	–	0.1
Tax receivables	11.9	3.9	–	–
Other receivables	110.1	123.1	18.2	3.8
Amounts due from related parties	100.2	83.0	8.9	–
Loans to related parties ¹	–	–	215.0	127.1
	243.1	217.8	242.1	131.0
Non-current				
Other receivables	2.8	5.9	–	–
Loans to related parties ¹	228.2	167.5	3,122.4	3,137.4
	231.0	173.4	3,122.4	3,137.4

1. Refer to note 23 for details of amounts due from and loans to related parties.

Goodman assessed the receivables balances at 30 June 2023 for expected credit losses (risk of non-payment). The level of provisioning was not significant in the context of the Group's financial position.

7 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	
	2023 \$M	2022 \$M
Current		
Receivables, which are included in trade receivables, other receivables and amounts due from related parties	133.6	111.7
Contract assets	72.9	77.6
Contract liabilities	21.2	4.7
Non-current		
Contract liabilities	–	–

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

	Goodman			
	2023		2022	
	Contract assets \$M	Contract liabilities \$M	Contract assets \$M	Contract liabilities \$M
Balance at the beginning of the year	77.6	4.7	80.9	6.0
Increase due to changes in the measure of progress during the year	381.9	–	476.9	–
Transfers from contract assets to receivables	(388.8)	–	(480.5)	–
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	(14.0)	–	(1.6)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	30.5	–	0.1
Effect of foreign currency translation	2.2	–	0.3	0.2
Balance at the end of the year	72.9	21.2	77.6	4.7
Current contract assets and liabilities	72.9	21.2	77.6	4.7
Non-current contract liabilities	–	–	–	–
Total	72.9	21.2	77.6	4.7

Details regarding Goodman's future rental income associated with existing lease agreements is included in note 5.

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.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

8 Assets held for sale

In June 2023, the Group entered into a conditional contract to dispose of two controlled entities which own two stabilised investment properties. As the conditions under the contracts had not been satisfied as at 30 June 2023, the directly held assets and liabilities to be disposed have been presented as a disposal group held for sale.

Assets and liabilities of disposal group held for sale

At 30 June 2023, the disposal group was held at the lower of carrying amount and fair value less costs to sell, and comprised the following assets and liabilities within the Australia and New Zealand segment:

	\$M
Investment properties	515.3
Other assets	1.7
Payables	(7.4)
Assets held for sale	509.6

No impairment losses have been recognised in FY23 in respect of the disposal group.

In the prior year, assets held for sale amounting to \$608.2 million related to two investment properties in Australia. The disposal of the investment properties was completed in FY23.

9 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current				
Trade payables	90.4	76.4	5.8	7.9
Other payables and accruals	571.8	525.4	113.8	61.5
Contract liabilities	21.2	4.7	–	–
Loans from related parties ¹	–	–	51.3	3.3
	683.4	606.5	170.9	72.7
Non-current				
Other payables and accruals	390.2	111.0	256.6	3.3
Loans from related parties ¹	–	–	521.4	720.5
	390.2	111.0	778.0	723.8

1. Refer to note 23 for details of loans from related parties.

10 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current				
Dividends/distributions to Securityholders	282.5	280.0	188.4	233.5
Other	19.0	19.2	–	–
	301.5	299.2	188.4	233.5
Non-current				
Defined benefit retirement schemes in the United Kingdom	12.8	13.9	–	–
Other	1.5	1.6	–	–
	14.3	15.5	–	–

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

11 Property, plant and equipment

	2023 \$M	2022 \$M
Property, plant and equipment at cost	171.9	147.0
Accumulated amortisation	(100.2)	(85.6)
Property, plant and equipment at net book value¹	71.7	61.4

1. Refer to note 12 for property, plant and equipment held as a lessee.

12 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 rate 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 5(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:

	2023 \$M	2022 \$M
Right of use assets		
Inventories	561.8	453.3
Investment properties	695.6	568.0
Property, plant and equipment	43.8	42.4
	1,301.2	1,063.7
Lease liabilities		
Current	12.3	12.5
Non-current	55.4	58.1
	67.7	70.6

The following were recognised during the year:

	2023 \$M	2022 \$M
Additions to right of use assets	245.0	338.4
Depreciation for right of use assets	12.4	12.6
Interest expense on lease liabilities	1.1	1.0
Cash outflows on lease liabilities	14.3	14.4

13 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	
	2023 \$M	2022 \$M
Goodwill	738.3	685.6
Management rights	111.8	109.8
	850.1	795.4

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

13 Goodwill and intangible assets (continued)

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

	2023 \$M	2022 \$M
Analysed:		
Goodwill		
Continental Europe	622.8	577.0
Other	115.5	86.6
Subtotal – goodwill	738.3	685.6
Management rights		
Continental Europe	35.3	32.7
Other	76.5	77.1
Subtotal – management rights	111.8	109.8
Total	850.1	795.4

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

	Balance at 30 June 2021 \$M	Disposals \$M	Effect of foreign currency translation \$M	Balance at 30 June 2022 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2023 \$M
Cost						
Goodwill						
Continental Europe	609.0	–	(24.7)	584.3	46.4	630.7
Other	161.9	–	(7.2)	154.7	10.7	165.4
Subtotal – goodwill	770.9	–	(31.9)	739.0	57.1	796.1
Management rights						
Continental Europe	34.1	–	(1.4)	32.7	2.6	35.3
Other	84.7	(10.9)	3.3	77.1	(0.6)	76.5
Subtotal – management rights	118.8	(10.9)	1.9	109.8	2.0	111.8
Total	889.7	(10.9)	(30.0)	848.8	59.1	907.9

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

	Balance at 30 June 2021 \$M	Disposals \$M	Effect of foreign currency translation \$M	Balance at 30 June 2022 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2023 \$M
Impairment losses						
Goodwill						
Continental Europe	7.6	–	(0.3)	7.3	0.6	7.9
Other	48.1	–	(2.0)	46.1	3.8	49.9
Subtotal – goodwill	55.7	–	(2.3)	53.4	4.4	57.8
Management rights						
Other	11.4	(10.9)	(0.5)	–	–	–
Subtotal – management rights	11.4	(10.9)	(0.5)	–	–	–
Total	67.1	(10.9)	(2.8)	53.4	4.4	57.8

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 dependent on 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 dependent on the level of external 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.

The post-tax discount rates used in the value in use calculations 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.

When assessing a potential impairment, the value in use is compared against the sum of the intangible asset balance and the property, plant and equipment balance for each division.

The principal intangible asset balance relates to the Group's business activities in Continental Europe. The value in use and the key assumptions used to calculate the value in use are set out below.

Value in use – Continental Europe

The value in use for Continental Europe is consistent with the prior years. The Group's strategy remains the same with assets focused on core infill locations, close to consumers.

	2023	2022
Value in use (A\$M)	2,559.4	2,444.3
Key assumptions:		
Pre-tax discount rate (per annum)	12.7%	11.6%
Average annual development expenditure (A\$B)	1.2	1.3
Average annual growth in AUM	6.6%	7.7%

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.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

13 Goodwill and intangible assets (continued)

Development earnings

During FY23 there has been a decrease in the market values of properties in Continental Europe, however, demand continues to exist for modern, well-located industrial product. The activities will be focused on the regions core markets in western and southern Europe and will be a mix of development undertaken directly by Goodman and developments undertaken in joint venture with Partnerships. The average annual development cash outflow to fund the projected development pipeline across the forecast period is A\$1.2 billion per annum (2022: A\$1.3 billion per annum). This is slightly lower than the prior year, with higher inflation and higher interest rates expected to persist in the short term. The development earnings forecasts include projects which have not yet been contracted.

Management earnings and AUM

External AUM at 30 June 2023 was \$A7.8 billion (2022:A\$8.1 billion). The average annual increase in external AUM of 6.6% (2022: 7.7%) assumes most of the projected development over the forecast period is for Partnerships.

For the purpose of the value in use assessments, property values are expected to be stable over the period and no portfolio performance revenue is assumed.

Sources of funding for development activity

Capital inflows required to fund acquisitions and development activity 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 regional lending markets.

Assumptions impacting the terminal year

The cash flow projections assumes that there will be no significant change in regional or global market conditions. Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five-year forecast. For Continental Europe, the growth rate of 3.2% (2022: 2.3%) was based on the average consumer price indices over the past five years. .

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.

14 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Finance income				
Interest income from:				
– Related parties	2.1	6.5	93.8	72.3
– Other parties	20.0	1.8	12.3	0.5
Foreign exchange gains	0.8	–	73.1	–
	22.9	8.3	179.2	72.8
Finance expense				
Interest expense from third party loans, overdrafts and derivatives	(52.4)	(42.4)	(55.4)	(38.2)
Interest expense from related party loans	–	–	(20.1)	(9.7)
Other borrowing costs	(12.8)	(9.5)	(6.9)	(5.3)
Fair value adjustments on derivative financial instruments	(221.3)	(189.7)	(156.6)	(181.5)
Foreign exchange losses	–	(0.3)	–	(69.7)
Capitalised borrowing costs ¹	28.8	10.8	2.7	–
	(257.7)	(231.1)	(236.3)	(304.4)
Net finance expense	(234.8)	(222.8)	(57.1)	(231.6)

1. Borrowing costs were capitalised to inventories and investment properties under development during the year at rates between 0.95% and 4.85% per annum (2022: 0.95% and 4.85% per annum)..

Notes to the consolidated financial statements

Capital management (continued)

15 Interest bearing liabilities

Interest bearing liabilities comprise bank loans and notes issued in the capital markets. 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	
Carrying amount of drawn debt	Note	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current					
Unsecured:					
– Foreign private placement	15(d)	–	133.3	–	133.3
		–	133.3	–	133.3
Non-current					
Secured:					
– Bank loans	15(a)	47.9	9.0	–	–
Unsecured:					
– Bank loans	15(a)	421.5	–	156.0	–
– USD denominated notes	15(b)	2,025.8	1,953.1	2,025.8	1,953.1
– EUR denominated notes	15(c)	818.5	758.3	818.5	758.3
Borrowing costs		(20.8)	(21.5)	(17.5)	(19.3)
		3,292.9	2,698.9	2,982.8	2,692.1

(a) Bank loans

Secured

As at 30 June 2023, Goodman and GIT had the following secured bank facilities:

			Goodman		GIT	
	Facility maturity date	Facility limit \$M	Amounts drawn \$M	Facility limit \$M	Amounts drawn \$M	
	9 January 2028	79.7	–	–	–	
	5 January 2033	51.7	17.9	–	–	
	18 March 2034	26.9	17.4	–	–	
	20 April 2038	62.1	12.6	–	–	
Total at 30 June 2023		220.4	47.9	–	–	
Total at 30 June 2022		288.2	9.0	260.0	–	

Unsecured

As at 30 June 2023, 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 March 2025	70.0	–	70.0	–
31 March 2025	30.0	–	30.0	–
7 December 2025	40.9	–	40.9	–
31 December 2025	100.0	–	100.0	–
1 July 2026	100.0	–	100.0	–
31 July 2026	150.1	–	150.1	–
30 September 2026	280.8	156.9	–	–
30 September 2026	83.2	56.6	–	–
30 September 2026	83.2	–	–	–
30 September 2026	156.0	52.0	–	–
30 September 2026	104.0	–	–	–
30 September 2026	56.3	–	56.3	–
30 September 2026	37.5	–	37.5	–
21 October 2026	150.0	–	150.0	–
22 October 2026	150.0	–	150.0	–
31 December 2026	122.8	–	122.8	–
30 June 2027	70.0	–	70.0	–
30 June 2027	30.0	–	30.0	–
31 December 2029	156.0	156.0	156.0	156.0
Total at 30 June 2023	1,970.8	421.5	1,263.6	156.0
Total at 30 June 2022	1,455.4	–	1,050.2	–

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

(b) USD denominated notes

As at 30 June 2023, Goodman and GIT had notes on issue in the US144A/Regulation S bond market as follows:

	Maturity date	Carrying amount		Coupon (fixed) per annum
		A\$M	US\$M	
	15 March 2028	787.8	525.0	3.70%
	4 May 2032	750.3	500.0	4.63%
	15 October 2037	487.7	325.0	4.50%
Total at 30 June 2023		2,025.8	1,350.0	
Total at 30 June 2022		1,953.1	1,350.0	

(c) EUR denominated notes

As at 30 June 2023, Goodman and GIT had A\$818.5 million (2022: A\$758.3 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

At 30 June 2022, Goodman and GIT had A\$133.3 million (¥12.5 billion) in a foreign private placement denominated in Japanese yen. The facility had a fixed coupon of 3.32% per annum payable semi-annually and was repaid on 3 April 2023.

Notes to the consolidated financial statements

Capital management (continued)

15 Interest bearing liabilities (continued)

(e) Finance facilities

	Goodman		GIT	
	Facilities available \$M	Facilities utilised \$M	Facilities available \$M	Facilities utilised \$M
30 June 2023				
Secured:				
– Bank loans	220.4	47.9	–	–
Unsecured:				
– Bank loans	1,970.8	421.5	1,263.6	156.0
– USD denominated notes	2,025.8	2,025.8	2,025.8	2,025.8
– EUR denominated notes	818.5	818.5	818.5	818.5
– Bank guarantees ¹	–	23.6	–	–
	5,035.5	3,337.3	4,107.9	3,000.3
30 June 2022				
Secured:				
– Bank loans	288.2	9.0	260.0	–
Unsecured:				
– Bank loans	1,455.4	–	1,050.2	–
– USD denominated notes	1,953.1	1,953.1	1,953.1	1,953.1
– EUR denominated notes	758.3	758.3	758.3	758.3
– Foreign private placement	133.3	133.3	133.3	133.3
– Bank guarantees ¹	–	7.3	–	7.3
	4,588.3	2,861.0	4,154.9	2,852.0

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.

16 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 (FRM) 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current				
Derivative financial instruments ¹	87.8	1.6	76.6	1.6
	87.8	1.6	76.6	1.6
Non-current				
Derivative financial instruments ¹	363.4	482.8	232.1	341.3
Investment in unlisted securities, at fair value	18.1	13.6	19.6	31.8
	381.5	496.4	251.7	373.1

1. Includes fair values of derivative financial instruments equating to \$81.7 million (2022: \$133.3 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Other financial liabilities

	Goodman		GIT	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current				
Derivative financial instruments ¹	143.9	71.2	63.9	25.9
	143.9	71.2	63.9	25.9
Non-current				
Derivative financial instruments ¹	480.1	447.7	383.6	325.3
	480.1	447.7	383.6	325.3

1. Includes fair values of derivative financial instruments equating to \$34.2 million (2022: \$79.6 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Notes to the consolidated financial statements

Capital management (continued)

17 Financial risk management

The Board has overall responsibility for approving Goodman's risk management framework. The Board has established the Audit, Risk and Compliance committee, which is responsible for reviewing, approving and subsequently monitoring the Group's risk management policies, including the FRM policy. The FRM policy is established to identify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls for managing the financial affairs of the Group, and to monitor those risks and adherence to limits by Management.

Goodman's treasury function is responsible for the day to day compliance with the Group's FRM policy 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 policy 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 2023, the principal that was used to hedge its exposures using derivatives and the weighted average exchange rates, by currency, are set out below:

Goodman

	2023			2022		
	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	(750.0)	696.4	1.0775	(750.0)	696.4	1.0775
	HKD'M	AUD'M	AUD/HKD	HKD'M	AUD'M	AUD/HKD
AUD receivable/HKD payable	(8,840.0)	1,598.2	5.5324	(8,340.0)	1,466.9	5.6976
	EUR'M	AUD'M	AUD/EUR	EUR'M	AUD'M	AUD/EUR
AUD receivable/EUR payable	(925.0)	1,460.8	0.6341	(825.0)	1,314.0	0.6283
	GBP'M	AUD'M	AUD/GBP	GBP'M	AUD'M	AUD/GBP
AUD receivable/GBP payable	(435.0)	796.4	0.5468	(380.0)	703.4	0.5403
	USD'M	AUD'M	AUD/USD	USD'M	AUD'M	AUD/USD
AUD receivable/USD payable	(1,050.0)	1,455.5	0.7221	(1,050.0)	1,455.5	0.7221
	JPY'M	AUD'M	AUD/JPY	JPY'M	AUD'M	AUD/JPY
AUD receivable/JPY payable	(14,000.0)	177.7	78.1791	(23,000.0)	297.2	77.5413
	CNY'M	USD'M	USD/CNY	CNY'M	USD'M	USD/CNY
USD receivable/CNY payable	(4,727.6)	642.2	7.3612	(4,258.6)	539.6	7.8927

Notes to the consolidated financial statements

Capital management (continued)

17 Financial risk management (continued)

GIT

	2023			2022		
	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	(450.0)	416.3	1.0814	(450.0)	416.3	1.0814
	HKD'M	AUD'M	AUD/HKD	HKD'M	A\$M	AUD/HKD
AUD receivable/HKD payable	(7,190.0)	1,297.7	5.5371	(7,190.0)	1,264.6	5.6981
	EUR'M	AUD'M	AUD/EUR	EUR'M	A\$M	AUD/EUR
AUD receivable/EUR payable	(430.0)	657.8	0.6543	(50.0)	75.7	0.6605
	GBP'M	AUD'M	AUD/GBP	GBP'M	A\$M	AUD/GBP
AUD receivable/GBP payable	(285.0)	516.5	0.5524	(125.0)	228.9	0.5460
	USD'M	AUD'M	AUD/USD	USD'M	A\$M	AUD/USD
AUD receivable/USD payable	(600.0)	820.9	0.7318	(600.0)	820.9	0.7318
	JPY'M	A\$M	AUD/JPY	JPY'M	A\$M	AUD/JPY
AUD receivable/JPY payable	-	-	-	(17,000.0)	225.3	75.4506

In addition to the derivatives detailed in the table above, GIT also has FECs with a controlled entity of GL to hedge that entity's USD exposure. On maturity of the contracts, GIT will receive USD 206.8 million from GL (2022: USD 81.8 million) and pay GBP 167.8 million to GL (2022: GBP 53.8 million).

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\$50.0 million (2022: A\$107.9 million decrease) for Goodman and A\$21.0 million (2022: A\$48.1 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\$50.0 million (2022: A\$107.9 million increase) for Goodman and A\$21.0 million (2022: A\$48.1 million) for GIT.

Interest rate risk

Goodman's interest rate payments risk arises from variable rate borrowings and the Group's CCIRS that hedge the overseas investments. Goodman has a policy of hedging between 60% and 100% of its payments exposure to changes in interest rates for a 3 year period, progressively decreasing from the fourth year. Goodman enters into interest rate derivatives (IRD) to manage cash flow risks associated with the interest rates on payments 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 2023, 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	IRD A\$M	Net interest rate exposure A\$M
30 June 2023¹				
Fixed rate liabilities	2,896.3	–	3,886.3	6,782.6
Floating rate liabilities	417.4	6,407.0	3,886.3	2,938.1
	3,313.7	6,407.0	–	9,720.7
30 June 2022²				
Fixed rate liabilities	2,844.7	–	2,877.1	5,721.8
Floating rate liabilities	9.0	5,857.8	(2,877.1)	2,989.7
	2,853.7	5,857.8	–	8,711.5

GIT

	Interest bearing liabilities A\$M	Impact of derivatives CCIRS A\$M	IRD A\$M	Net interest rate exposure A\$M
30 June 2023¹				
Fixed rate liabilities	2,844.3	–	2,200.4	5,044.7
Floating rate liabilities	156.0	3,898.2	(2,200.4)	1,853.8
	3,000.3	3,898.2	–	6,898.5
30 June 2022²				
Fixed rate liabilities	2,844.7	–	1,590.2	4,434.9
Floating rate liabilities	–	3,034.9	(1,590.2)	1,444.7
	2,844.7	3,034.9	–	5,879.6

- Goodman and GIT are also exposed to variable interest rates on cash at bank and the principal amount of the Australian dollar receiver legs of the CCIRS. To hedge this interest rate exposure, Goodman and GIT hold IRDs.
At 30 June 2023, Goodman's cash at bank was \$1,360.1 million (FY22: \$1,056.0 million) and the principal amount of the Australian dollar receiver legs of the CCIRS was \$6,184.9 million (FY22: \$5,933.4 million). The principal amount of the IRDs to hedge this exposure amounted to \$3,341.0 million (FY22: \$2,630.0 million). Accordingly, at 30 June 2023, Goodman had a net variable interest rate exposure on its cash and receivables (by principal) of \$4,204.0 million (2022: \$4,359.4 million).
At 30 June 2023, GIT's cash at bank was \$689.9 million (FY22: \$473.6 million) and the principal amount of the Australian dollar receiver legs of the CCIRS was \$3,709.3 million (FY22: \$3,031.8 million). The principal amount of the IRDs to hedge this exposure amounted to \$3,341.0 million (FY22: \$2,630.0 million). Accordingly, at 30 June 2023, GIT had a net variable interest rate exposure on its cash and receivables (by principal) of \$1,058.2 million (2022: \$875.4 million).
- For consistency with the current year's presentation, the comparative figures have been adjusted to exclude the principal amount of the Australian dollar receiver legs of the CCIRS and the principal amount of the IRDs which hedge the interest rate exposure on these receiver legs. For Goodman, the adjustments amounted to \$5,933.4 million to the principal amount of the CCIRS and \$2,130.0 million to the principal amount of the IRDs. For GIT, the adjustments amounted to \$3,031.9 million to the principal amount of the CCIRS and \$2,130.0 million to the principal amount of the IRDs.

Notes to the consolidated financial statements

Capital management (continued)

17 Financial risk management (continued)

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that existed at 30 June 2023, Goodman and GIT would have the following fixed payable 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 and that no new arrangements are entered into.

Goodman

	2023		2022	
	Fixed interest rate (by principal) A\$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) ¹ A\$M	Weighted average interest rate ¹ % per annum
Number of years post balance date				
1 year	6,619.0	2.15	5,904.2	2.18
2 years	5,868.2	2.40	5,671.0	2.10
3 years	4,644.8	2.71	4,932.3	2.38
4 years	3,601.6	3.10	3,774.7	2.73
5 years	2,761.5	3.43	2,855.3	3.18

GIT

	2023		2022	
	Fixed interest rate (by principal) A\$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) ¹ A\$M	Weighted average interest rate ¹ % per annum
Number of years post balance date				
1 year	5,001.1	2.56	4,689.6	2.67
2 years	4,981.7	2.57	4,519.4	2.54
3 years	3,913.7	2.91	4,476.1	2.56
4 years	3,003.6	3.37	3,450.0	2.94
5 years	2,242.2	3.76	2,598.4	3.45

1. For consistency with the current year's presentation, the comparative figures have been adjusted to exclude the principal amount and associated interest rate impact of the Australian dollar receiver legs of CCIRS and the principal amount of IRDs which hedge the inflows arising from them.

Sensitivity analysis

Throughout the financial year, if interest rates (based on the interest bearing liabilities and derivative financial instruments in place at the end of the year) had been 100 basis points per annum higher/lower, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market movements, would have increased/decreased by A\$1.4 million (2022: increased/decreased by A\$8.1 million) for Goodman and decreased/increased by A\$9.3 million (2022: decreased/increased by A\$5.4 million) for GIT.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks has been undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group had exposure to IBORs through certain of its bank loans (interest bearing liabilities) and its derivative instruments (IRD and CCIRS). Most of the Group's external interest bearing liabilities are bonds with fixed coupons and are not exposed to IBORs. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA) master agreements.

Amendments to the Group's financial instruments with contractual terms indexed to sterling LIBOR, Japanese yen LIBOR or US dollar LIBOR, such that they incorporate the new benchmark rates, were completed by 31 December 2021. The sterling and Japanese yen LIBORs transitioned on 1 January 2023 and the US dollar LIBOR transitioned to SOFR on 1 July 2023.

For Goodman's other IBOR exposures, the transition to alternative risk-free rates has been deferred and/or extended and therefore no action has been or will be taken in that regard until such time as the alternative reference rates are defined and scheduled. It is expected that these will follow the conventions established in other markets and the Group will apply the same principles for those transitions as and when they become relevant.

(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)

17 Financial risk management (continued)

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
Goodman	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
As at 30 June 2023								
Non-derivative financial liabilities								
Payables (excluding contract liabilities)	1,052.4	1,052.4	662.2	330.2	30.0	20.0	10.0	–
Lease liabilities	67.7	119.7	12.3	11.0	7.4	6.4	6.0	76.6
Bank loans, secured ¹	47.9	47.9	–	–	–	–	–	47.9
Bank loans, unsecured ¹	421.5	421.5	–	–	–	265.5	–	156.0
USD denominated notes, unsecured	2,025.8	2,783.6	85.8	85.8	85.8	85.8	77.3	2,363.1
EUR denominated notes, unsecured	818.5	843.8	11.3	11.3	821.2	–	–	–
Total non-derivative financial liabilities	4,433.8	5,268.9	771.6	438.3	944.4	377.7	93.3	2,643.6
Derivative financial (assets)/liabilities – net								
Net settled ²	(101.5)	(107.1)	(48.4)	(21.9)	(26.3)	(5.6)	(9.8)	4.9
Gross settled: ³								
(Inflow)	–	(1,530.2)	(453.5)	(314.7)	(311.7)	(216.8)	(142.4)	(91.1)
Outflow	274.3	1,605.6	480.9	306.3	320.7	308.8	108.7	80.2
Total derivative financial liabilities/(assets) – net	172.8	(31.7)	(21.0)	(30.3)	(17.3)	86.4	(43.5)	(6.0)
As at 30 June 2022								
Non-derivative financial liabilities								
Payables (excluding contract liabilities)	712.8	712.8	601.8	58.2	26.4	17.6	8.8	–
Lease liabilities	70.6	121.6	12.5	14.2	76.5	4.1	3.9	10.4
Bank loans, secured ¹	9.0	9.0	–	–	–	–	–	9.0
USD denominated notes, unsecured	1,953.1	2,822.9	139.2	82.7	82.7	82.7	82.7	2,352.9
EUR denominated notes, unsecured	758.3	799.9	18.3	10.4	10.4	760.8	–	–
Foreign private placement, unsecured	133.3	137.7	137.7	–	–	–	–	–
Total non-derivative financial liabilities	3,637.1	4,603.9	909.5	165.5	196.0	865.2	95.4	2,372.3
Derivative financial (assets)/liabilities – net								
Net settled ²	33.8	35.3	14.0	5.7	22.2	8.2	3.5	(18.3)
Gross settled: ³								
(Inflow)	0.7	(1,565.0)	(249.5)	(411.0)	(257.1)	(310.8)	(171.2)	(165.5)
Outflow	–	1,113.4	218.5	329.5	169.6	189.7	156.4	49.7
Total derivative financial liabilities/(assets) – net	34.5	(416.3)	(17.0)	(75.8)	(65.3)	(112.9)	(11.3)	(134.1)

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under Goodman's revolving loan facilities.

2. Net settled includes IRD and FEC.

3. Gross settled includes COIRS.

The contractual maturities of financial liabilities are set out below:

GIT	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 2023								
Non-derivative financial liabilities								
Payables	948.9	948.9	170.9	328.0	126.2	20.5	46.6	256.7
Bank loans, unsecured ¹	156.0	156.0	–	–	–	–	–	156.0
USD denominated notes, unsecured	2,025.8	2,783.6	85.8	85.8	85.8	85.8	77.3	2,363.1
EUR denominated notes, unsecured	818.5	843.8	11.3	11.3	821.2	–	–	–
Total non-derivative financial liabilities	3,949.2	4,732.3	268.0	425.1	1,033.2	106.3	123.9	2,775.8
Derivative financial (assets)/liabilities – net								
Net settled ²	(67.2)	(7.6)	10.8	(1.3)	(16.2)	1.1	(6.0)	4.0
Gross settled: ³								
(Inflow)	–	(494.1)	(199.1)	(82.9)	(79.1)	(57.7)	(57.6)	(17.7)
Outflow	206.1	1,050.4	322.3	202.1	225.8	180.1	78.5	41.6
Total derivative financial liabilities/(assets) – net	138.9	548.7	134.0	117.9	130.5	123.5	14.9	27.9
As at 30 June 2022								
Non-derivative financial liabilities								
Payables	796.5	796.5	72.7	4.8	64.5	282.7	139.4	232.4
USD denominated notes, unsecured	1,953.1	2,822.9	139.2	82.7	82.7	82.7	82.7	2,352.9
EUR denominated notes, unsecured	758.3	800.0	18.3	10.4	10.4	760.8	–	–
Foreign private placement, unsecured	133.3	137.7	137.7	–	–	–	–	–
Total non-derivative financial liabilities	3,641.2	4,557.1	367.9	97.9	157.6	1,126.2	222.1	2,585.3
Derivative financial (assets)/liabilities – net								
Net settled ²	(22.0)	141.6	39.4	35.5	33.3	33.5	10.5	(10.5)
Gross settled: ³								
(Inflow)	30.3	(737.3)	(104.8)	(234.6)	(90.9)	(115.1)	(51.6)	(140.1)
Outflow	–	753.2	161.1	237.7	100.7	125.6	87.3	40.8
Total derivative financial liabilities/(assets) – net	8.3	157.5	95.7	38.6	43.1	44.0	46.2	(109.8)

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under Goodman's revolving loan facilities.

2. Net settled includes IRD and FEC.

3. Gross settled includes CCIRS.

Notes to the consolidated financial statements

Capital management (continued)

17 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 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\$278.0 million (2022: A\$361.3 million) and A\$227.2 million (2022: A\$256.1 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
	2023	2023	2022	2022	2023	2023	2022	2022
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets								
Cash and cash equivalents	1,360.1	1,360.1	1,056.0	1,056.0	689.9	689.9	473.6	473.6
Receivables	474.1	474.1	391.2	391.2	3,364.5	3,364.5	3,268.4	3,268.4
Other financial assets:								
– Interest rate derivatives	305.4	305.4	210.5	210.5	211.0	211.0	129.1	129.1
– Cross currency interest rate swaps	136.2	136.2	271.6	271.6	97.5	97.5	194.8	194.8
– Foreign exchange contracts	9.6	9.6	2.3	2.3	0.2	0.2	19.0	19.0
– Investments in unlisted securities	18.1	18.1	13.6	13.6	19.6	19.6	31.8	31.8
	2,303.5	2,303.5	1,945.2	1,945.2	4,382.7	4,382.7	4,116.7	4,116.7
Financial liabilities								
Payables (excluding contract liabilities)	1,052.4	1,052.4	712.8	712.8	948.9	948.9	796.5	796.5
Interest bearing liabilities ¹	3,292.9	3,034.9	2,832.2	2,670.6	2,982.8	2,721.5	2,825.4	2,528.3
Other financial liabilities:								
– IRD	142.4	142.4	126.2	126.2	141.2	141.2	126.2	126.2
– CCIRS	410.5	410.5	272.3	272.3	303.6	303.6	225.0	225.0
– FEC	71.1	71.1	120.4	120.4	2.7	2.7	–	–
	4,969.3	4,711.3	4,063.9	3,902.3	4,379.2	4,117.9	3,973.1	3,676.0

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2023.

Fair value hierarchy

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

	Goodman				GIT			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
As at 30 June 2023								
Derivative financial assets	–	451.2	–	451.2	–	308.8	–	308.8
Investments in unlisted securities	–	–	18.1	18.1	–	–	19.6	19.6
	–	451.2	18.1	469.3	–	308.8	19.6	328.4
Derivative financial liabilities	–	624.0	–	624.0	–	447.5	–	447.5
	–	624.0	–	624.0	–	447.5	–	447.5
As at 30 June 2022								
Derivative financial assets	–	484.4	–	484.4	–	342.9	–	342.9
Investments in unlisted securities	–	–	13.6	13.6	–	–	31.8	31.8
	–	484.4	13.6	498.0	–	342.9	31.8	374.7
Derivative financial liabilities	–	518.9	–	518.9	–	351.2	–	351.2
	–	518.9	–	518.9	–	351.2	–	351.2

There were no transfers between the levels during the year.

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

The Level 2 derivative financial instruments held by 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.

Notes to the consolidated financial statements

Capital management (continued)

18 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

FY23 dividends/distributions

	Dividends/distributions cents per security	Total amount \$M	Date of payment
GL	–	–	n/a
GIT			
– 31 December 2022	15.0	282.1	24 Feb 2023
– 30 June 2023	10.0	188.3	25 Aug 2023
GLHK	5.0	94.2	25 Aug 2023
	30.0	564.6	

FY22 dividends/distributions

	Dividends/distributions cents per security	Total amount \$M	Date of payment
GL	–	–	n/a
GIT			
– 31 December 2021	15.0	280.2	25 Feb 2022
– 30 June 2022	12.5	233.6	26 Aug 2022
GLHK	2.5	46.7	26 Aug 2022
	30.0	560.5	
Distributions on treasury securities		(0.4)	
	30.0	560.1	

GIT

In FY23, GIT's distributions were 25.0 cents per security (2022: 27.5 cents per security) amounting to \$470.5 million (2022: \$513.8 million).

Movement in provision for dividends/distributions to Securityholders

	Goodman		GIT	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Balance at the beginning of the year	280.0	277.1	233.5	166.3
Provisions for dividends/distributions	564.6	560.1	470.5	513.8
Dividends/distributions paid	(562.1)	(557.2)	(515.6)	(446.6)
Balance at the end of the year	282.5	280.0	188.4	233.5

19 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	
	2023	2022	2023	2022	2023	2022
	Number of securities		\$M	\$M	\$M	\$M
Stapled securities:						
– Issued and fully paid	1,883,819,883	1,866,989,276	8,434.5	8,367.1	8,504.3	8,303.3
– Treasury securities	–	1,233,333	–	–	–	–
Less: Accumulated issue costs			(161.2)	(161.0)	(148.9)	(148.8)
Total issued capital	1,883,819,883	1,868,222,609	8,273.3	8,206.1	8,355.4	8,154.5

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 June 2021	Balance before accumulated issue costs	1,847,429,255	8,257.3	7,997.7
31 August 2021	Securities issued to employees under the LTIP	14,716,648	–	216.3
31 August 2021	Issue of treasury securities	1,233,333	–	18.1
2 September 2021	Issue of securities	4,843,373	109.8	71.2
30 June 2022	Balance before accumulated issue costs	1,868,222,609	8,367.1	8,303.3
1 September 2022	Securities issued to employees under the LTIP	13,479,812	–	158.5
1 September 2022	Treasury securities allocated to employees under the LTIP	(1,233,333)	–	–
19 May 2023	Issue of securities	3,350,795	67.4	42.5
	Less: Accumulated issue costs		(161.2)	(148.9)
30 June 2023	Closing balance	1,883,819,883	8,273.3	8,355.4

(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 performance rights under the LTIP was as follows:

	Number of rights	
	2023	2022
Outstanding at the beginning of the year	71,750,644	68,640,720
Granted	22,431,397	23,468,860
Exercised	(16,830,607)	(19,545,855)
Forfeited	(1,033,344)	(813,081)
Outstanding at the end of the year	76,318,090	71,750,644
Exercisable at the end of the year	–	–

Notes to the consolidated financial statements

Capital management (continued)

19 Issued capital (continued)

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

	10-year rights issued on 17 Nov 2022	10-year rights issued on 30 Sep 2022	5-year rights issued on 30 Sep 2022
Fair value at measurement date (\$)	13.89	11.69	12.32
Security price (\$)	18.18	15.78	15.78
Exercise price (\$)	–	–	–
Expected volatility (%)	27.61	27.15	31.49
Rights' expected weighted average life (years)	6.8	6.9	3.9
Dividend/distribution yield per annum (%)	1.65	1.90	1.90
Average risk free rate of interest per annum (%)	3.43	3.76	3.62

The model inputs for the remeasurement of the cash settled performance rights at 30 June 2023 included the following:

	10-year rights issued in FY23	10-year rights issued in FY22	5-year rights issued in FY23	5-year rights issued in FY22	5-year rights issued in FY21	5-year rights issued in FY20	5-year rights issued in FY19
Fair value at measurement date (\$)	9.00	12.11	9.18	14.51	19.72	19.87	20.02
Security price (\$)	20.07	20.07	20.07	20.07	20.07	20.07	20.07
Exercise price (\$)	–	–	–	–	–	–	–
Expected volatility (%)	27.59	27.88	28.50	28.33	26.02	25.28	19.62
Rights' expected weighted average life (years)	6.2	5.7	3.2	2.2	1.2	0.7	0.2
Dividend/distribution yield per annum (%)	1.49	1.49	1.49	1.49	1.49	1.49	1.49
Average risk free rate of interest per annum (%)	3.99	4.01	4.12	4.12	4.17	4.18	4.18

The amounts recognised as a share-based payments expense in the consolidated income statement are set out in note 1. At 30 June 2023, a liability of \$146.1 million (2022: \$126.6 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.

20 Notes to the cash flow statements

(a) Reconciliation of cash

For the purpose of the cash flow statements, cash and cash equivalents include 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Bank balances	1,360.1	811.3	689.9	184.2
Call deposits	–	244.7	–	289.4
	1,360.1	1,056.0	689.9	473.6

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

	Goodman		GIT	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Profit for the year	1,559.9	3,414.0	1,138.0	2,067.6
Items classified as investing activities				
Net gain on disposal of investment properties	(3.6)	(73.6)	0.6	(69.8)
Net gain on disposal of assets held for sale	(4.3)	–	(4.3)	–
Net gain on disposal of equity investments	–	(0.2)	–	–
Non-cash items				
Amortisation and depreciation	16.7	17.1	–	–
Share based payments expense	286.0	257.0	–	–
Net gain from fair value adjustments on investment properties	(278.9)	(260.1)	(229.0)	(208.3)
Share of net results of equity accounted investments	(1,022.4)	(2,718.2)	(1,079.1)	(2,173.0)
Net finance expense	234.8	222.8	57.1	231.6
Income tax expense	182.2	324.1	99.1	133.1
	970.4	1,182.9	(17.6)	(18.8)
Changes in assets and liabilities during the year:				
– Decrease in receivables	10.2	93.4	0.2	0.7
– (Increase)/decrease in inventories	(27.5)	(646.1)	5.9	–
– Decrease/(increase) in other assets	1.5	(0.1)	0.3	1.4
– (Decrease)/increase in payables	(47.5)	(85.5)	1.9	(1.5)
– Decrease in provisions	(2.6)	(0.1)	–	–
	904.5	544.5	(9.3)	(18.2)
Distributions/dividends received from Partnerships	583.5	441.9	301.3	238.9
Net finance costs paid	(39.7)	(34.9)	(82.8)	(23.6)
Net income taxes paid	(164.1)	(110.5)	(2.1)	(1.1)
Net cash provided by operating activities	1,284.2	841.0	207.1	196.0

(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.

Notes to the consolidated financial statements

Other items (continued)

20 Notes to the cash flow statements (continued)

(d) Reconciliation of liabilities arising from financing activities

	Interest bearing liabilities	Derivative financial instruments	Provision for distributions	Lease liabilities	Total
Goodman	\$M	\$M	\$M	\$M	\$M
Balance at 30 June 2021	2,060.3	(157.6)	277.1	94.0	2,273.8
Changes from financing cash flows					
Proceeds from borrowings and derivative financial instruments	1,466.5	–	–	–	1,466.5
Payments on borrowings and derivative financial instruments	(779.2)	(10.1)	–	–	(789.3)
Payment of lease liabilities	–	–	–	(13.4)	(13.4)
Distributions paid	–	–	(557.2)	–	(557.2)
Total changes from financing cash flows	687.3	(10.1)	(557.2)	(13.4)	106.6
Effect of changes in foreign exchange rates	83.2	12.5	–	(1.6)	94.1
Changes in fair value	(2.2)	189.7	–	–	187.5
Other changes					
New leases	–	–	–	15.6	15.6
Other borrowing costs	3.6	–	–	–	3.6
Interest expense on lease liabilities	–	–	–	1.0	1.0
Disposal of right of use assets	–	–	–	(25.0)	(25.0)
Debt modification costs	–	–	–	–	–
Distributions declared	–	–	560.1	–	560.1
Total other changes	3.6	–	560.1	(8.4)	555.3
Balance at 30 June 2022	2,832.2	34.5	280.0	70.6	3,217.3
Proceeds from borrowings and derivative financial instruments	1,029.3	–	–	–	1,029.3
Payments on borrowings and derivative financial instruments	(687.5)	(84.5)	–	–	(772.0)
Payment of lease liabilities	–	–	–	(13.2)	(13.2)
Distributions paid	–	–	(562.1)	–	(562.1)
Total changes from financing cash flows	341.8	(84.5)	(562.1)	(13.2)	(318.0)
Effect of changes in foreign exchange rates	115.6	1.5	–	2.5	119.6
Changes in fair value	–	221.3	–	–	221.3
Other changes					
New leases	–	–	–	10.9	10.9
Other borrowing costs	3.3	–	–	–	3.3
Interest expense on lease liabilities	–	–	–	1.0	1.0
Disposal of right of use assets	–	–	–	(4.1)	(4.1)
Distributions declared	–	–	564.6	–	564.6
Total other changes	3.3	–	564.6	7.8	575.7
Balance at 30 June 2023	3,292.9	172.8	282.5	67.7	3,815.9

GIT	Interest bearing liabilities \$M	Derivatives used for hedging \$M	Provision for distributions \$M	Loans with related parties, net \$M	Total \$M
Balance at 30 June 2021	2,062.8	(182.4)	166.3	(2,559.5)	(512.8)
Changes from financing cash flows					
Net cash flows from loans to related parties	–	17.4	–	262.2	279.6
Proceeds from borrowings and derivative financial instruments	1,456.4	–	–	–	1,456.4
Payments on borrowings and derivative financial instruments	(777.3)	(10.1)	–	–	(787.4)
Distributions paid	–	–	(446.6)	–	(446.6)
Total changes from financing cash flows	679.1	7.3	(446.6)	262.2	502.0
Effect of changes in foreign exchange rates	79.8	1.9	–	60.3	142.0
Changes in fair value	–	181.5	–	–	181.5
Other changes					
Issue of units under the LTIP	–	–	–	(234.4)	(234.4)
Equity settled share based payments transactions	–	–	–	(29.8)	(29.8)
Interest income	–	–	–	(72.3)	(72.3)
Interest expense	–	–	–	9.7	9.7
Interest paid	–	–	–	5.7	5.7
Other borrowing costs	3.7	–	–	–	3.7
Derivative financial instrument settlement through loans with related parties	–	–	–	17.4	17.4
Distributions declared	–	–	513.8	–	513.8
Total other changes	3.7	–	513.8	(303.7)	213.8
Balance at 30 June 2022	2,825.4	8.3	233.5	(2,540.7)	526.5
Changes from financing cash flows					
Net cash flows from loans to related parties	–	11.9	–	179.8	191.7
Proceeds from borrowings and derivative financial instruments	712.3	–	–	–	712.3
Payments on borrowings and derivative financial instruments	(687.4)	(35.5)	–	–	(722.9)
Distributions paid	–	–	(515.6)	–	(515.6)
Total changes from financing cash flows	24.9	(23.6)	(515.6)	179.8	(334.5)
Effect of changes in foreign exchange rates	127.9	(2.5)	–	(163.4)	(38.0)
Changes in fair value	–	156.6	–	–	156.6
Other changes					
Issue of units under the LTIP	–	–	–	(158.5)	(158.5)
Equity settled share based payments transactions	–	–	–	(32.9)	(32.9)
Interest income	–	–	–	(93.8)	(93.8)
Interest expense	–	–	–	20.1	20.1
Interest paid	–	–	–	12.8	12.8
Other borrowing costs	4.6	–	–	–	4.6
Derivative financial instrument settlement	–	–	–	11.9	11.9
Distributions declared	–	–	470.5	–	470.5
Total other changes	4.6	–	470.5	(240.4)	234.7
Balance at 30 June 2023	2,982.8	138.8	188.4	(2,764.7)	545.3

Notes to the consolidated financial statements

Other items (continued)

21 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						
	Issued capital	Foreign currency translation reserve	Employee compensation reserve	Defined benefit retirement schemes reserve	Total reserves	Retained earnings	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2021	494.5	(65.5)	39.4	(23.3)	(49.4)	1,190.5	1,635.6
Total comprehensive income/(loss) for the year							
Profit for the year	–	–	–	–	–	552.6	552.6
Other comprehensive income							
Effect of foreign currency translation	–	(10.9)	–	1.0	(9.9)	–	(9.9)
Total comprehensive income for the year, net of income tax	–	(10.9)	–	1.0	(9.9)	552.6	542.7
Transfers	–	–	(81.8)	–	(81.8)	81.8	–
Contributions by and distributions to owners							
Purchase of securities for the LTIP	–	–	(28.0)	–	(28.0)	–	(28.0)
Issue of securities	19.8	–	–	–	–	–	19.8
Equity settled share based payments transactions	–	–	127.0	–	127.0	–	127.0
Deferred tax associated with the LTIP	–	–	(4.2)	–	(4.2)	–	(4.2)
Balance at 30 June 2022	514.3	(76.4)	52.4	(22.3)	(46.3)	1,824.9	2,292.9
Total comprehensive income/(loss) for the year							
Profit for the year	–	–	–	–	–	288.2	288.2
Other comprehensive income							
Effect of foreign currency translation	–	8.9	–	(2.2)	6.7	–	6.7
Total comprehensive income/(loss) for the year, net of income tax	–	8.9	–	(2.2)	6.7	288.2	294.9
Transfers	–	–	(115.6)	–	(115.6)	115.6	–
Contributions by and distributions to owners							
Issue of securities	13.0	–	–	–	–	–	13.0
Issue costs	(0.1)	–	–	–	–	–	(0.1)
Equity settled share based payments transactions	–	–	129.1	–	129.1	–	129.1
Deferred tax associated with the LTIP	–	–	1.6	–	1.6	–	1.6
Balance at 30 June 2023	527.2	(67.5)	67.5	(24.5)	(24.5)	2,228.7	2,731.4

(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 \$M	Asset revaluation reserve \$M	Cash flow hedge reserve \$M	Foreign currency translation reserve \$M	Employee compensation reserve \$M	Defined benefit retirement schemes reserve \$M	Total reserves \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2021	7,601.9	(6.7)	(4.4)	(25.2)	235.3	(14.8)	184.2	3,739.8	11,525.9
Total comprehensive income/(loss) for the year									
Profit for the year	–	–	–	–	–	–	–	2,861.4	2,861.4
Other comprehensive income/(loss)									
Effect of foreign currency translation	–	–	(0.4)	155.0	–	0.6	155.2	–	155.2
Actuarial gains on defined benefit superannuation funds	–	–	–	–	–	5.6	5.6	–	5.6
Other changes	–	0.3	15.9	–	–	–	16.2	–	16.2
Total comprehensive income/(loss) for the year, net of income tax	–	0.3	15.5	155.0	–	6.2	177.0	2,861.4	3,038.4
Contributions by and distributions to owners									
Dividends/distributions on stapled securities	–	–	–	–	–	–	–	(560.1)	(560.1)
Issue of stapled securities	90.1	–	–	–	–	–	–	–	90.1
Issue costs	(0.2)	–	–	–	–	–	–	–	(0.2)
Equity settled share based payments transactions	–	–	–	–	37.8	–	37.8	–	37.8
Balance at 30 June 2022	7,691.8	(6.4)	11.1	129.8	273.1	(8.6)	399.0	6,041.1	14,131.9
Total comprehensive income/(loss) for the year									
Profit for the year	–	–	–	–	–	–	–	1,271.7	1,271.7
Other comprehensive income/(loss)									
Effect of foreign currency translation	–	(0.5)	0.5	354.3	–	(0.4)	353.9	–	353.9
Actuarial gains on defined benefit superannuation funds	–	–	–	–	–	0.5	0.5	–	0.5
Other changes	–	(0.2)	2.4	–	–	–	2.2	–	2.2
Total comprehensive income for the year, net of income tax	–	(0.7)	2.9	354.3	–	0.1	356.6	1,271.7	1,628.3
Contributions by and distributions to owners									
Dividends/distributions on stapled securities	–	–	–	–	–	–	–	(564.6)	(564.6)
Issue of stapled securities	54.4	–	–	–	–	–	–	–	54.4
Issue costs	(0.1)	–	–	–	–	–	–	–	(0.1)
Equity settled share based payments transactions	–	–	–	–	43.5	–	43.5	–	43.5
Balance at 30 June 2023	7,746.1	(7.1)	14.0	484.1	316.6	(8.5)	799.1	6,748.2	15,293.4

Notes to the consolidated financial statements

Other items (continued)

22 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 2023 and the results of all such entities for the year ended 30 June 2023.

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
GA Industrial Portfolio Trust ¹	Australia
GIT Investments Holding Trust No.3 ¹	Australia
Goodman Australia Finance Pty Limited 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
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
GCLAM Services (HK) Limited	Hong Kong
GFM Hong Kong Limited	Hong Kong
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong
Goodman Hong Kong Investment Trust ¹	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

1. Significant controlled entities of Goodman Industrial Trust.

Significant controlled entities of Goodman Limited	Country of establishment/ incorporation
Goodman Japan Funds Limited	Japan
Goodman Japan Limited	Japan
GELF Management (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl ¹	Luxembourg
Goodman Finance Two (Lux) Sàrl ¹	Luxembourg
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Midnight Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited 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 (UK) Limited	United Kingdom
GIC Vernon LLC	United States
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 Three, LLC ¹	United States
Goodman US Finance Four, LLC ¹	United States
Goodman US Finance Five, 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)

23 Related parties

The names of KMP of Goodman at any time during the financial year are as follows:

Non-Executive Directors – GL and GFML

Stephen Johns
Christopher Green
Mark Johnson
Vanessa Liu
Rebecca McGrath
Phillip Pryke
Belinda Robson
Hilary Spann
George Zoghbi

Executive KMP

Gregory Goodman
Danny Peeters
Anthony Rozic
Nick Kurtis
Michael O'Sullivan
Nick Vrontas

Non-Executive Director – GLHK

David Collins

Remuneration of KMP

The KMP remuneration totals are as follows:

	Goodman		Goodman Limited ¹	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Short-term employee benefits	8,654.0	7,596.6	–	–
Post-employment benefits	209.9	203.6	–	–
Post-employment benefits	37,769.7	42,106.0	–	–
Long-term employee benefits	4,536.4	5,037.4	–	–
	51,170.0	54,943.6	–	–

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 (GreenPoint)

In order to enhance understanding of and access to technologies that may influence the property sector and the business, GIT committed to investing USD15.0 million in GreenPoint, a property technology fund that is a Delaware limited partnership, managed by GreenPoint Partners. GreenPoint Partners is beneficially owned and controlled by Christopher Green, a director of GL. Total investment in GreenPoint at 30 June 2023 was USD7.2 million (2022: USD5.3 million). No distributions were received from GreenPoint in the current year (2022: \$0.8 million).

Wyuna Regenerative Ag Investment Fund (Wyuna)

As part of its ESG strategy, Goodman has committed to investing up to \$30.0 million in an integrated carbon credit and regenerative platform in Australia – Wyuna. Investing alongside Australia's Clean Energy Finance Corporation, this project assists land regeneration, sustainable food production and land-based solutions to climate change. Wyuna is managed by Wyuna Regenerative Ag Pty Limited, which is 50% owned by Christopher Green, a director of GL.

In FY23, GL invested \$11.9 million, and the total investment in Wyuna at 30 June 2023 was \$11.9 million (30 June 2022: \$nil). No distributions were received from Wyuna in the current and prior year.

Transactions with associates and JVs

The transactions with Partnerships during the year were as follows:

	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to associates and JVs	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Goodman						
Associates	–	400,825.4	683,993.9	1,279,744.9	–	–
JVs	–	274,018.6	495,718.3	447,461.7	2,117.3	6,514.7
GIT						
Associates	–	346,825.4	–	–	(19.1)	(36.1)
JVs	–	–	–	–	1,688.6	6,166.6

In addition to the transactions included in the table above:

- + Goodman disposed of a 40% interest in a JV to GAIP for proceeds of \$353.7 million in FY23
- + Goodman incurred \$3.6 million (2022: \$3.7 million) of costs from Partnerships, primarily for the leasing of office premises.

Amounts due from Partnerships at 30 June 2023 were as follows:

	Goodman				GIT			
	Amounts due from related parties		Loans provided by Goodman ¹		Amounts due from related parties		Loans provided by GIT ¹	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Associates								
GAIP	16,074.7	14,204.2	–	–	–	–	–	–
GAP	5,982.5	5,626.5	–	–	–	–	–	–
GMT	3,905.5	3,579.3	–	–	–	–	–	–
GHKLP	16,637.9	9,757.3	–	–	–	–	–	–
GJCP	5,457.5	4,371.3	–	–	–	–	–	–
GEP	10,782.8	13,912.2	–	–	–	–	–	–
	58,840.9	51,450.8	–	–	–	–	–	–
JVs								
GCLP	6,455.2	6,617.4	–	–	–	–	–	–
GUKP	2,442.5	1,989.6	–	–	–	–	–	–
GNAP	10,864.8	16,516.1	–	–	–	–	–	–
Other JVs	21,577.5	6,359.9	228,184.2	167,464.7	8,984.7	4.8	221,188.1	140,162.8
	41,340.0	31,483.0	228,184.2	167,464.7	8,984.7	4.8	221,188.1	140,162.8

1. 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 year were as follows:

	GIT	
	2023 \$000	2022 \$000
Management income	1,045.5	1,850.9
Reimbursement of expenses	71,192.7	58,381.5
	72,238.2	60,232.4

Interest bearing loans exist between GIT and other Goodman entities. At 30 June 2023, interest bearing loans of \$3,114.4 million (2022: \$3,122.6 million) were receivable by GIT from other Goodman entities and \$572.7 million (2022: \$723.8 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.

In the prior year, GIT acquired 65,906,199 units in GMT from a controlled entity of GL for consideration of NZ\$139.1 million.

Notes to the consolidated financial statements

Other items (continued)

24 Commitments

Development activities

At 30 June 2023, Goodman was committed to expenditure in respect of \$641.5 million (2022: \$691.8 million) on inventories and other development activities. GIT had no such commitments (2022: \$nil).

Investment properties

At 30 June 2023, Goodman had capital commitments of \$90.1 million (2022: \$6.1 million) in respect of investment properties. GIT had \$86.7 million (2022: \$4.5 million) of such commitments.

Partnerships

At 30 June 2023, Goodman had remaining equity commitments of \$173.8 million (2022: \$217.9 million) into GAIP and \$145.8 million (2022: \$135.0 million) into GEP. In addition, Goodman has undertaken to acquire up to 82.1 million units in GAIP if their holder elects to sell them. The price Goodman will pay will be determined by the prevailing unit price at the time of the sale. As at 30 June 2023, this equates to a total value of \$173.8 million (cum distribution value) or \$172.8 million (ex-distribution price). Goodman's commitment to this sale process ends in May 2026. These commitments also apply to GIT.

In relation to GEP, Goodman offers two liquidity facilities which allow certain of the partners to sell to the Group some or all of their investments in GEP, but only when Goodman's ownership interest in GEP is below 40.0%. At 30 June 2023, Goodman's ownership interest in GEP was 19.8% and therefore the facilities are available to the partners. The first facility, which applies to 1.3% of the issued and committed units, would require Goodman to purchase up to €39.5 million of units (at a 1% discount to current unit value), subject to a maximum in each quarter of 2.5% of units. The second facility, which applies to 32.2% of the issued and committed units, would require Goodman to purchase up to €150.0 million of units (at a 5% discount to current unit value), subject to a maximum in each calendar year of €50.0 million.

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

- + \$18.1 million (2022: \$30.0 million) into Wyuna
- + \$135.0 million (2022: \$130.7 million) into KWASA Goodman Germany
- + \$201.3 million (2022: \$344.8 million) into Goodman Japan Development Partnership
- + \$705.3 million (2022: \$793.8 million) into GCLP
- + \$501.1 million (2022: \$599.3 million) into GUKP
- + \$1,791.1 million (2022: \$1,888.9 million) into GNAP
- + \$80.9 million (2022: \$73.0 million) into Goodman Brazil Logistics Partnership (GBLP).

The Commitments in GNAP and GBLP also apply to GIT.

25 Auditors' remuneration

	Goodman		GIT	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Audit services				
Auditor of the Company:				
– Audit and review of financial reports (KPMG Australia)	1,302.0	1,279.1	808.3	737.3
– Audit and review of financial reports (overseas KPMG firms)	1,469.2	1,218.7	101.1	77.3
	2,771.2	2,497.8	909.4	814.6
Other services				
– Other regulatory services (KPMG Australia)	61.5	64.9	46.3	41.8
– Other assurance services (KPMG Australia)	–	670.0	–	–
– Other advisory services (KPMG Australia)	–	15.0	–	–
– Other advisory services (overseas KPMG firms)	5.6	–	–	–
– Taxation compliance services (KPMG Australia)	–	–	–	–
– Taxation compliance services (overseas KPMG firms)	304.2	172.8	–	–
– Taxation advice (KPMG Australia)	102.8	–	68.4	–
– Taxation advice (overseas KPMG firms)	453.2	178.8	–	–
	927.3	1,101.5	114.7	41.8
Total paid/payable to KPMG	3,698.5	3,599.3	1,024.1	856.4
Other auditors				
– Audit and review of financial reports (non-KPMG firms)	190.5	151.5	–	–

26 Parent entity disclosures

As at, and throughout the financial year ended, 30 June 2023, 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Result of the parent entity				
Profit for the year	224.9	176.8	214.2	451.7
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	224.9	176.8	214.2	451.7
Financial position of the parent entity at year end				
Current assets	411.9	223.9	3,492.8	3,076.5
Total assets	2,390.5	1,895.5	9,913.6	8,075.9
Current liabilities	117.1	108.6	2,018.9	553.9
Total liabilities	1,390.2	1,192.4	4,876.9	3,016.7
Total equity of the parent entity comprising:				
Issued capital	996.5	937.4	8,355.4	8,154.5
Profits reserve	90.7	90.7	–	–
Employee compensation reserve	65.8	52.5	249.8	216.8
Accumulated losses	(152.7)	(377.5)	(3,568.5)	(3,312.1)
Total equity	1,000.3	703.1	5,036.7	5,059.2

Notes to the consolidated financial statements

Other items (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 GL and GIT. Distributions/dividends received from Partnerships are recognised in the income statement, rather than being deducted from the carrying amount of these investments.

Tax consolidation

GL 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 2023, the parent entities had no capital commitments (2022: \$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.

US144A/Regulation S senior notes

Under the issue of notes in the US144A/Regulation S bond market (refer to notes 15(b) and 15(c)), controlled entities of GIT had on issue USD and EUR notes amounting to US\$1,350.0 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.

27 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 89 to 158 and the remuneration report that is contained on pages 35 to 85 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 2023 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 2023.

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, 17 August 2023



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 Reports

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 and Directors' Declaration 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 2023 and of their financial performance for the year ended on that date; and
- + complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the Goodman Group and Trust comprises:

- + Consolidated statement of financial position as at 30 June 2023;
- + Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows 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 opinion

We conducted our audit 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 opinion.

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 audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

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

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

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



Valuation of investment properties (\$1,644.8m), investments accounted for using the equity method (\$16,285.2m) and inventories (\$2,245.5m)

Refer to Note 5 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>Goodman Group's policy is investment properties are held at fair value and inventories are held at the lower of cost and net realisable value, determined using internal methodologies or through the use of external valuation experts.</p> <p>The valuation of property assets is a key audit matter as they are significant in value (being 84% of total assets) and contain assumptions with estimation uncertainty.</p> <p>This leads to additional audit effort due to differing assumptions used by Goodman Group based on asset classes, geographies and characteristics of individual property assets.</p> <p>We considered significant assumptions in the valuation of property assets including:</p> <ul style="list-style-type: none"> + Investment properties: <ul style="list-style-type: none"> - capitalisation rates; - discount rates; - market rental income; - weighted average lease expiry and vacancy levels; - projections of capital expenditure; and - lease incentive costs. + Inventories <ul style="list-style-type: none"> - forecast capitalisation rates and market rental income; - land value per square metre; - letting up periods and lease incentive costs; and - development costs. <p>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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> + Obtaining an understanding of 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 Goodman Group's policies. + Working with real estate valuation specialists to read published reports and industry commentary to gain an understanding of prevailing property market conditions. <p>For a sample of investment properties, taking into account asset classes, geographies and characteristics of individual investment properties:</p> <ul style="list-style-type: none"> + 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 of prevailing property market conditions. + With the 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 Goodman Group's historical performance of the assets and using our industry experience. + Assessing the disclosures in the financial report using our understanding obtained from our testing, against accounting standard requirements. <p>For a sample of inventories:</p> <ul style="list-style-type: none"> + Challenging the key assumptions included in Goodman Group's internal recoverability assessments by comparing to commentary published by industry experts, recent market transactions, and our knowledge of historical performance of the assets.



Recognition of development income (\$1,407.2m)

Refer to Note 1 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Development income was a key audit matter due to:</p> <ul style="list-style-type: none"> + its significant value (43% of revenue and other income); + the unique nature of contracts; and + the judgements applied by us to assess Goodman Group's determination of revenue recognised during the period in relation to contracts which remain in progress at period end. <p>Income from development management services is recognised progressively, requiring judgment by us when considering Goodman Group's determination of the amount and extent of the services provided within the period based on contract deliverables.</p> <p>Goodman Group's policy is for income from inventory disposals to be recognised at a point in time when control is transferred to the customer and fixed price development contracts to be recognised in proportion to the stage of completion of the relevant contracts.</p> <p>We focused on the stage of completion estimation which is based on costs incurred as a percentage of estimated total costs for each contract.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> + Evaluating Goodman Group's recognition of development income against the criteria in the accounting standards. + Selecting specific contracts from development income recognised based on quantitative and qualitative information (such as the size and complexity of the arrangement) and performed the following: <ul style="list-style-type: none"> – Understanding the underlying contractual arrangements, in particular their unique terms, for their impact to recognition of development income. – Where recognition of development income was conditional upon certain events occurring, checking conditions within the contract to evidence of achievement of conditions, such as correspondence with external parties. – Assessing 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, assess the cost assumptions used by the Group in determining the stage of completion estimate as follows: <ul style="list-style-type: none"> • Costs incurred – assessing a sample of costs incurred to date to relevant underlying external sources, such as invoices; and • Estimated total costs – assessing a sample of total forecast costs to secured contracts for construction activities, other relevant underlying sources, and our understanding of the industry and economic conditions.



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).

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.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Goodman Limited for the year ended 30 June 2023, 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 in pages 35 to 85 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Eileen Hoggett
Partner

Sydney
17 August 2023

Goodman Logistics (HK) Limited and its subsidiaries

Consolidated financial statements for the year ended 30 June 2023

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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 2023 (FY23).

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 industrial property (either directly or in partnerships with other investors) and management services provided to the partnerships (including investment management, property management and development management). The principal activities and other particulars of the subsidiaries are set out in note 19 to the consolidated financial statements.

Financial statements

The financial performance of the Consolidated Entity for the year ended 30 June 2023 and the Consolidated Entity's financial position at that date are set out in the consolidated financial report on pages 178 to 217.

During the financial year, the Company declared a final dividend of 5.0 cents per share amounting to \$94.2 million. This dividend will be paid on 25 August 2023. In the prior year, the Company declared a final dividend of 2.5 cents per share amounting to \$46.7 million, which was paid on 25 August 2022.

Share capital

Details of the movements in share capital of the Company during FY23 are set out in note 15 to the consolidated financial statements.

Directors

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

Stephen Paul Johns

David Jeremy Collins

Kit Yi Kitty Chung (appointed on 1 July 2023)

Gregory Leith Goodman (alternate Director to Stephen Paul Johns)

Daniel Cornelius D. Peeters.

Directors of subsidiaries

The names of Directors who have served on the Boards of the subsidiaries of the Company during the year and up to the date of this report are set out below:

Andrew McGregor	Izak ten Hove	Palacio Francisco
Aurelien Noel	James Bengé	Paul Adams
Bart Manteleers	James Cornell	Paul Heslop
Charles Crossland	Jason Harris	Peter Ralston
Chen Binghua	Jesse Verbist	Philip Turpin
Chen Zhiming	John Conway	Philippe Arfi
Chi Wing Lin	John Dakin	Philippe Van der Beken
Christof Prange	Jorn Bruyninckx	Robert Reed
Chun Kit Fung	Joseph Salvaggio	Shiling Li
Clare Gow	Karl Dockx	Simone Weyermanns
Paul Heslop	Kelly Moore	Song Yun
David Hinchey	Kristoffer Harvey	Stephen Young
Dirk Mölter	Lien Standaert	Sun Chao
Dominique Prince	Luke Caffey	Tang Chenying
Edwin Chong	Marwan Bustani	Tim Cruypelans
Gareth Owen	Matthew Macdonald	Timothy Downes
Godfrey Abel	Michael Woodford	Wai Ho Stephen Lee
Hans Ongena	Michael O'Sullivan	Wang Chen
Henry Kelly	Nicholas Kurtis	Xiaoyin Zhang
Hugh Baggie	Nick Taunt	
Ignacio Garcia	Nigel Allsop	

Report of the Directors

(continued)

BUSINESS REVIEW

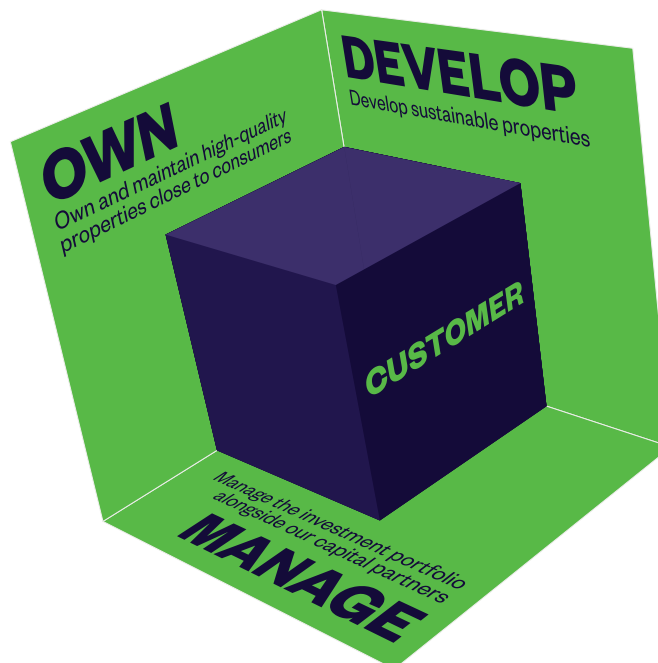
State of affairs

There were no significant changes in the Consolidated Entity's state of affairs during the year.

About Goodman Group

Goodman Group is a global industrial property specialist group whose strategy is to maximise returns by providing essential infrastructure for the digital economy by owning, developing and managing high-quality properties that are close to consumers in key cities around the world.

Goodman Group's integrated business model



Goodman Group's Own Develop Manage model focuses the business on its customers' current and future needs.

The Consolidated Entity owns and maintains high-quality properties close to consumers, develops sustainable properties, and manages its global investment portfolio to a high standard. The Consolidated Entity works alongside its capital partners, which include sovereign wealth, pension and large multi-manager funds.

In each market, the Consolidated Entity has dedicated local teams which take care of property asset and investment management, delivering a high level of customer service.

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.

During the year, governments across Continental Europe and in the United Kingdom have increased interest rates in response to rising inflation. This has impacted property valuations with weighted average capitalisation rates expanding from 3.4% to 4.4% in Continental Europe and 3.7% to 4.9% in the United Kingdom. As a consequence, the Consolidated Entity's share of the fair value adjustments from its Partnerships was a loss of \$160.1 million compared to gain of \$269.8 million in the prior year.

However, the scarcity of space in the Consolidated Entity's locations, and customer need for more productive and sustainable solutions has supported underlying property fundamentals. These have driven and continue to drive development demand and rental growth. Despite the global macro-economic volatility, there is almost zero vacancy in the property portfolios and the Consolidated Entity continues to execute on its development strategy.

As a consequence of the strong rental income growth and the Consolidated Entity's continued investment in its portfolios, property investment earnings have increased compared to the prior year. Management earnings have also increased as the investment in the Partnerships and the stabilisation of properties during both the current and prior year, notably in Asia, has offset the impacts on external assets under management (AUM) from the devaluations in FY23. Development earnings are lower than the prior year, but this is more a reflection of the strength of the FY22 development result, and current year earnings have again been a significant contributor to the Consolidated Entity's overall results. The quality and location of sites has underpinned development activity and project returns. In addition, the locations of the sites are often delivering value add opportunities with intensification and change of use.

In assessing the Consolidated Entity's underlying performance, the Directors consider operating profit as well as statutory profit. Operating profit 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.

	2023 \$M	2022 \$M
Analysis of operating profit		
Property investment earnings	111.9	82.1
Management earnings	187.9	170.6
Development earnings	494.0	689.1
	793.8	941.8
Operating expenses	(193.4)	(207.9)
	600.4	733.9
Net finance expense (operating) ¹	(2.7)	(12.4)
Income tax expense (operating) ²	(79.3)	(114.1)
Operating profit	518.4	607.4

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 Goodman Group Long Term Incentive Plan (LTIP).

Property investment activities

Property investment earnings in FY23 of \$111.9 million were higher than the prior year and comprised 14% of the total earnings (2022: 9%).

	2023 \$M	2022 \$M
Net property income	42.4	40.9
Partnerships	69.5	41.2
Property investment earnings	111.9	82.1

Key metrics	2023	2022
Weighted average capitalisation rate (%)	5.0	4.7
Weighted average lease expiry (years)	4.6	4.2
Occupancy (%)	96.6	97.6

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 (JV) (referred to as Partnerships). The key drivers for maintaining or growing the Consolidated Entity's property investment earnings are increasing the level of 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 locations where available space remains restricted due to significant customer demand, high barriers to entry and limited supply. Consequently, the Consolidated Entity has experienced significant market rental growth across its locations and occupancy has remained high. This is supporting strong underlying investment fundamentals and cash flows in the Consolidated Entity's portfolio.

Report of the Directors

Business review (continued)

The net income from the Consolidated Entity's directly held properties increased by 4% to \$42.4 million compared to the prior year with acquisitions in Asia in both the current and prior year offsetting the lower contribution to rental income in FY23 from completed inventories, prior to their disposal.

The Consolidated Entity's share of investment earnings from its cornerstone holdings in the Partnerships increased by 69% to \$69.5 million compared to the prior year. This was due to acquisitions and the stabilisation of developments in FY22 and FY23, as the Consolidated Entity and its capital partners have continued to invest in the Partnerships, and also due to the rental income growth from existing stabilised properties.

During FY23, the Consolidated Entity's share of property valuations from the stabilised portfolios was a loss of \$160.1 million. Valuation decrements primarily arose in Continental Europe and the United Kingdom due to the expansion of capitalisation rates, in response to increased interest rates. At 30 June 2023, the weighted average capitalisation rate for the Consolidated Entity's portfolios was 5.0%, compared to 4.7% at the start of FY23.

Management activities

Management earnings in FY23 of \$187.9 million increased by 10% compared to the prior year and comprised 24% of total operating earnings (2022: 18%).

	2023 \$M	2022 \$M
Management earnings	187.9	170.6
Key metrics	2023	2022
Number of Partnerships	8	8
External AUM (\$B)	28.7	27.8

Management earnings relate to the revenues from managing both the property portfolios and the capital invested in the Partnerships. 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.

The main driver of the increased management earnings was the acquisitions and stabilisations of properties during 2022 and 2023. This has more than offset the impact on base management fee income from property devaluations in Asia, Continental Europe and the United Kingdom.

Development activities

Development earnings in FY23 were \$494.0 million, a decrease of 28% on the prior year, but still comprised 62% of total operating earnings (2022: 73%).

	2023 \$M	2022 \$M
Net development income	485.2	645.7
Partnerships	8.8	43.4
Development earnings	494.0	689.1

Key metrics	2023	2022
Work in progress (\$B)	5.8	7.1
Work in progress (number of developments)	32	36
Developments completed during the year (number of developments)	14	23

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 JVs, less development expenses. Development income includes development management fees and 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 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.

Development activity and margins continued to be sound with work in progress of \$5.8 billion across 32 projects at 30 June 2023. The decrease in the Consolidated Entity's development earnings was volume driven, with lower activity in Continental Europe. However, this follows several years of significant acceleration in the Consolidated Entity's development activity.

Other items

Operating expenses increased mainly due to lower incentive-based remuneration partly offset by modest inflation pressure. The net finance expense has decreased as a result of increased interest income on the Consolidated Entity's related party loans. The increase 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

	2023 \$M	2022 \$M
Stabilised investment properties	451.7	336.8
Cornerstone investments in Partnerships	1,850.6	1,845.6
Development holdings	1,532.2	1,552.6
Cash	391.9	357.5
Other assets	1,076.9	1,190.8
Total assets	5,303.3	5,283.3
Loans from related parties	1,676.1	1,941.0
Other liabilities	817.8	756.2
Total liabilities	2,493.9	2,697.2
Non-controlling interests	42.6	28.2
Net assets attributable to Shareholders	2,766.8	2,557.9

The stabilised investment properties relate to acquisitions in Asia.

The carrying value of cornerstone investments in Partnerships has increased by \$5.0 million to \$1,850.6 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 decrease in development holdings by \$20.4 million to \$1,532.2 million was primarily due to the completion of development projects 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 flows

	2023 \$M	2022 \$M
Operating cash flows	682.3	216.5
Investing cash flows	(293.0)	(234.8)
Financing cash flows	(360.7)	12.5
Net increase/(decrease) in cash held	28.6	(5.8)
Effect of exchange rate fluctuations on cash held	5.8	4.9
Cash and cash equivalents at the beginning of the year	357.5	358.4
Cash and cash equivalents at the end of the year	391.9	357.5

The increase in the net operating cash flows is primarily due to lower inventory expenditure.

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.

Financing cash flows principally relate to the net repayment of loans with related parties and payment of the dividend in August 2022.

Report of the Directors

Business review (continued)

Outlook

Goodman Group has developed significant expertise and a deliberate strategy to target high barrier to entry markets, providing our customers access to facilities where they are scarce. In particular, the rapid proliferation of demand for data storage and processing capacity is supplementing demand and reducing the available supply for warehouses and logistics centres. This has positioned the Consolidated Entity well for future growth.

In the near term, market conditions are likely to be volatile and the risks associated with rising inflation, interest rates and slowing economic growth are elevated. This may impact consumers; however, they continue to seek faster and more flexible delivery, which requires ongoing intensification of warehousing in urban locations to optimise delivery and improve productivity. The business remains agile, focused on the changing consumption habits across the physical and digital space and, as a result, the evolving requirements of customers around the world.

Demand is currently exceeding supply in the Consolidated Entity's markets, supporting our development-led growth strategy. This is producing well located assets for the Consolidated Entity and its Partnerships. In addition to strategic site acquisitions, the opportunities for regeneration of existing assets support the future development activities by providing value add opportunities. This can assist in the reduction of the environmental impacts of the Consolidated Entity's business activities. The development activity, project management and depth of customer demand are supporting the positive outlook for development earnings into FY24.

The strong customer demand and the supply constraints are resulting in high levels of occupancy and strong rental growth in the portfolio, which supports investment earnings. Absent a material adverse change in market conditions, the rental growth and the development completions will also support the growth in AUM and therefore management earnings.

In addition, the Consolidated Entity continues to maintain a strong balance sheet, which combined with retained income, provides significant liquidity, stability and financial resources.

The Board believes the Consolidated Entity is positioned to deliver growth in FY24 despite the risks associated with current market volatility.

The Consolidated Entity sets financial performance targets annually and reviews them regularly. Forecasts are subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events.

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 regularly.

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 Audit, Risk and Compliance Committee reviews and monitors a range of material risks in Goodman Group's risk management systems including, among other risks, market risks, operational risks, financial risk management, sustainability, regulation and compliance, tax policies and information technology.

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

	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.	<ul style="list-style-type: none"> + Monthly preparation of a consolidated Capital Management Plan, which is reported to the Goodman Group Investment Committee and the Finance and Treasury management committee + Financial reporting to the Goodman Group Board + Weekly cashflow monitoring and reporting + Goodman Group Board approved Financial Risk Management (FRM) policy + Capital partnering transfers risks into Partnerships + Low gearing, ample liquidity and appropriate hedging and duration to absorb market shocks + Diversity and tenure of debt funding sources and cash on deposit + Appropriate hedging quantities and duration in accordance with FRM policy + Distribution pay-out ratio consistent with contribution of development earnings + Long lease terms with prime customers + Strong assets that can generate better rental outcomes and growth + Key urban market strategy – urban, infill locations support re-usability of property + Insurance program (both Goodman Group's and key counterparties) including project specific insurance.
Economic and geopolitical environment	<p>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.</p> <p>A continued increase in geopolitical tension between countries could have potential consequences on our people, operations and capital partners.</p> <p>In the near term, market conditions are likely to be volatile and the risks associated with rising inflation, interest rates and slowing economic activity are elevated.</p>	<ul style="list-style-type: none"> + Global diversification of Goodman Group's property portfolios + Focus on core property portfolios in key urban market locations and adaptable assets + Annual 5-year business strategy + Focus on cost management + Annual risk assessment and profile + Annual budget + Regular independent property valuations + Asset planning program + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks + Adherence to FRM policy as it relates to hedging of interest rates and currencies + Review of customer credit + 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.	<ul style="list-style-type: none"> + Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Goodman Group Head of Risk and Compliance Officer + Review of transactions by the Goodman Group Investment Committee + Annual compliance plan audits + Partnership investment committees independent of the manager + Global tax risk management framework + Regional and Goodman Group Executive declarations and sign-offs + Verification process and sign-off of public documents + Comprehensive insurance program, covering property, liability, Directors and Officers and Professional Indemnity + Continuous disclosure regime – regular group management meetings.
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.	<ul style="list-style-type: none"> + Competitive remuneration structures, in particular performance rights under the LTIP, with ALL staff having ownership + Succession planning for senior executives and key roles + Performance management and staff review + Overall performance review ratings to assess culture and engagement + Learning and development program to enhance skills sets + Goodman Values program + Staff engagement through team strategy days, town halls and the (good) life program.

Report of the Directors

Business review (continued)

Risk area	Mitigation
Development	<p>Development risks may arise from location, site complexity, planning and permitting, infrastructure, size, duration along with general contractor capability.</p> <ul style="list-style-type: none"> + Review and approval of development projects by the Goodman Group Investment Committee and relevant Partnership Investment Committee + Targeted returns are higher for the size and complexity of the project + Engaging general contractors that are better capitalised + Senior oversight and responsibility by Executive Directors + Capital partnering transfers risks into partnerships + Specialised staff who understand the development process, including development staff by region + Goodman Group defined design specifications, which cover environmental, technological, and safety requirements, protecting against short term obsolescence + Fixed price, design and construct contracts with appropriately capitalised contractors + Redevelopment of older assets to intensify use + Insurance program (both Goodman Group's and key contractors), including project specific insurance + Spread and diversification of projects + 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 + Implementation of Goodman Group policies and procedures (e.g. reporting, Safety framework and delegation of authority) + Leasing prior to reaching development completion.
Disruption, changes in demand and obsolescence	<p>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.</p> <ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations support re-usability of property + Adaptable and reusable building design – ease to reconfigure for another customer + Geographic diversification – capital allocation across regions and location of properties + 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 + Innovation and technology strategy – visibility and insight into technology trends along with direct investment into technology start-ups + Competition analysis and behaviour.
Environmental sustainability and climate change	<p>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.</p> <ul style="list-style-type: none"> + Corporate Responsibility and Sustainability policy + 2030 Sustainability Strategy and reporting against those targets + Assessment of individual assets to improve resilience and implementation of sustainability initiatives. + Sustainability guidelines for development projects including embodied carbon measurement and offset + Review and approval of acquisitions and development projects by the Goodman Group Investment Committee and relevant Partnership Investment Committee, including consideration of climate risks in the due diligence process and minimum property specifications + Adoption of the Task Force on Climate-Related Financial Disclosures recommendations as a framework for the assessment, management and disclosure of climate risks + Investor, customer and regulatory requirements + Verification process and sign-off of public sustainability documents + Adherence to Goodman Group Procurement Policy for selection and purchase of Carbon Credits + LTIP performance directly linked to meeting Goodman Group's sustainability initiatives.

Risk area		Mitigation
Asset and portfolio	Inability to execute asset planning and management strategies, including leasing risk exposures, can reduce returns from Goodman Group's portfolios.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations where customer demand is strongest + In-house property management team + Diversification of customer base and lease expiries + Review and approval of significant leasing transactions and development projects by the Goodman Group Investment Committee and relevant Partnership Investment Committee + Capital expenditure programs keeping pace with property lifecycle + Implementation of Goodman Group policies and procedures (e.g. reporting, Safety framework, sustainability measures and minimum design specifications) + Insurance program including Public Liability, including property risk assessment reports + Customer risk assessments + Asset plans – in particular categorisation of assets, maintenance program, customer engagement + Portfolio strategy – locations, type of building.
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.	<ul style="list-style-type: none"> + Standardised governance structures around Partnerships, which includes: <ul style="list-style-type: none"> – Relationship deeds articulating service arrangements – Pre-emptive rights + Independent governance structure + Diversification of capital partners and fund expiries, including local investors. Analysis of alternate capital sources + Goodman Group's cornerstone investment in each Partnership and the underlying strength of the Manager + Appropriate Management contracts across all Partnerships + Contractor pre-selection and tendering + Diversification of customer base and lease expiry + Investment metrics established for Goodman Group and Partnerships, setting limits including: <ul style="list-style-type: none"> – Speculative development – Geographic and customer exposure + FRM policy establishing criteria for financial institution counterparties.
Information and data security	Maintaining security (including cyber security) of Information Technology (IT) environment and data, ensuring continuity of IT infrastructure and applications to support sustainability and growth and prevent operational, regulatory, financial and reputational impacts.	<ul style="list-style-type: none"> + Strategic roadmap for delivery of secured IT systems, benchmarked against the Australian Signal Directorate's Essential maturity model and United States National Institute of Standards and Technology Cyber Security framework + Proactive monitoring, review and testing of infrastructure and system behaviour + Incident response, disaster recovery and business continuity planning + Penetration testing, vulnerability scanning and network review to identify and remediate + IT Dashboard Reporting to the Audit, Risk & Compliance Committee + Phishing awareness program implemented to educate and test employees' awareness and vigilance in avoiding threats + Cyber security awareness/training + Decommissioning legacy systems + Transition from employee password reliance + Speed of threat/vulnerability detection + Data system back-up/restore testing + Phishing simulation testing/reporting + Reporting and compliance with Essential Eight, baseline strategies to mitigate cyber security incidents, developed by the Australian Cyber Security Centre.

Report of the Directors

(continued)

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	Directly held securities	Indirectly held securities	Total
Stephen Paul Johns	–	41,143	41,143
David Jeremy Collins	5,000	5,000	10,000
Gregory Leith Goodman	–	38,667,487	38,667,487
Daniel Cornelius Peeters	–	1,678,465	1,678,465

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 2023 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	–	1,000,000	–	–	1,000,000	17 Nov 2022	2027 – 2033
	1,560,000	–	–	–	1,560,000	18 Nov 2021	2026 – 2032
	950,000	–	–	–	950,000	19 Nov 2020	2024 – 2026
	900,000	–	(288,000)	(36,000)	576,000	20 Nov 2019	2023 – 2025
	1,066,667	–	(533,333)	–	533,334	15 Nov 2018	2023 – 2024
	533,334	–	(533,334)	–	–	16 Nov 2017	2023
Daniel Cornelius Peeters	–	500,000	–	–	500,000	17 Nov 2022	2027 – 2033
	625,000	–	–	–	625,000	18 Nov 2021	2026 – 2032
	380,000	–	–	–	380,000	19 Nov 2020	2024 – 2026
	350,000	–	(112,001)	(13,998)	224,001	20 Nov 2019	2023 – 2025
	366,667	–	(183,333)	–	183,334	15 Nov 2018	2023 – 2024
	183,334	–	(183,334)	–	–	16 Nov 2017	2023

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 Group Chief Financial Officer for the year ended 30 June 2023.

By order of the Board of Directors



Stephen Paul Johns
Independent Chairman



David Jeremy Collins
Director

Sydney, 17 August 2023



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 178 to 217, which comprise the consolidated statement of financial position as at 30 June 2023, 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 2023 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.



Independent Auditor's Report (continued)

To the members of Goodman Logistics (HK) Limited (Incorporated in Hong Kong with limited liability)

- + 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.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 August 2023

Consolidated statement of financial position

as at 30 June 2023

(expressed in Australian dollars)

	Note	2023 \$M	2022 \$M
Current assets			
Cash and cash equivalents	16(a)	391.9	357.5
Inventories	5(b)	121.6	175.2
Receivables	6	173.8	115.6
Contract assets	7	70.7	60.5
Current tax receivables	3(c)	0.3	0.6
Other assets		3.4	3.2
Other financial assets	12	11.3	–
Total current assets		773.0	712.6
Non-current assets			
Inventories	5(b)	1,410.6	1,377.4
Investment properties	5(b)	451.7	336.8
Investments accounted for using the equity method	5(b)	1,850.6	1,845.6
Receivables	6	612.0	789.6
Other financial assets	12	161.1	174.8
Deferred tax assets	3(d)	20.2	18.8
Property, plant and equipment		23.3	24.0
Other assets		0.8	3.7
Total non-current assets		4,530.3	4,570.7
Total assets		5,303.3	5,283.3
Current liabilities			
Payables	8	285.2	274.6
Loans from related parties	20(c)	86.6	125.4
Current tax payables	3(c)	52.1	32.5
Employee benefits		46.0	49.0
Dividend payable	14	94.2	46.7
Other financial liabilities	12	79.9	45.4
Total current liabilities		644.0	573.6
Non-current liabilities			
Payables	8	93.3	93.2
Interest bearing liabilities	11	46.7	9.0
Loans from related parties	20(c)	1,589.5	1,815.6
Deferred tax liabilities	3(d)	9.5	50.5
Employee benefits		12.8	13.9
Other financial liabilities	12	98.1	141.4
Total non-current liabilities		1,849.9	2,123.6
Total liabilities		2,493.9	2,697.2
Net assets		2,809.4	2,586.1
Equity attributable to Shareholders			
Share capital	15(a)	930.9	873.0
Reserves	17	(547.3)	(605.1)
Retained earnings	18	2,383.2	2,290.0
Total equity attributable to Shareholders		2,766.8	2,557.9
Non-controlling interests		42.6	28.2
Total equity		2,809.4	2,586.1

The notes on pages 182 to 217 form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 17 August 2023.



Stephen Paul Johns
Director



David Jeremy Collins
Director

Consolidated statement of comprehensive income

for the year ended 30 June 2023

(expressed in Australian dollars)

	Note	2023 \$M	2022 \$M
Revenue			
Gross property income		52.8	45.9
Management income	1	189.5	193.7
Development income	1	934.7	1,075.0
Dividends from investments		0.8	0.2
		1,177.8	1,314.8
Property and development expenses			
Property expenses		(10.4)	(5.0)
Development expenses	1	(454.4)	(433.5)
		(464.8)	(438.5)
Other (loss)/income			
Net loss from fair value adjustments on investment properties	5(e)	(0.4)	(0.3)
Net gain on disposal of investment properties		4.1	3.8
Share of net results of equity accounted investments	5(f)	(91.8)	345.3
Net gain on disposal of equity accounted investments		–	0.2
		(88.1)	349.0
Other expenses			
Employee expenses	1	(152.3)	(170.5)
Share based payments expense	15(b)	(111.8)	(94.0)
Administrative and other expenses		(41.1)	(37.4)
Transaction management fees		(1.6)	(23.1)
		(306.8)	(325.0)
Profit before interest and income tax		318.1	900.3
Net finance expense			
Finance income	10	38.1	48.0
Finance expense	10	(129.1)	(71.4)
Net finance expense		(91.0)	(23.4)
Profit before income tax		227.1	876.9
Income tax expense	3(a)	(26.9)	(114.1)
Profit for the year		200.2	762.8
Profit for the year attributable to:			
Shareholders	18	187.4	751.9
Non-controlling interests		12.8	10.9
Profit for the year		200.2	762.8
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Increase due to revaluation of other financial assets		10.7	9.4
Actuarial gains on defined benefit retirement schemes (net of tax)		0.5	5.6
		11.2	15.0
Item that may be reclassified subsequently to profit or loss			
Effect of foreign currency translation		37.0	0.1
		37.0	0.1
Other comprehensive income for the year, net of tax		48.2	15.1
Total comprehensive income for the year		248.4	777.9
Total comprehensive income for the year attributable to:			
Shareholders		234.6	767.8
Non-controlling interests		13.8	10.1
Total comprehensive income for the year		248.4	777.9

The notes on pages 182 to 217 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2023

Year ended 30 June 2022

(expressed in Australian dollars)

	Note	Attributable to Shareholders				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Total		
		\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2021		791.9	(629.0)	1,584.8	1,747.7	22.2	1,769.9
Total comprehensive income/(loss) for the year							
Profit for the year	18	–	–	751.9	751.9	10.9	762.8
Other comprehensive income/(loss) for the year		–	15.9	–	15.9	(0.8)	15.1
Total comprehensive income for the year, net of income tax		–	15.9	751.9	767.8	10.1	777.9
Contributions by and distributions to owners							
Dividends declared/paid	14	–	–	(46.7)	(46.7)	(5.5)	(52.2)
Issue of shares to employees of Goodman Group	15(a)	57.4	–	–	57.4	–	57.4
Issue of treasury shares	15(a)	4.8	–	–	4.8	–	4.8
Issue of ordinary shares	15(a)	18.9	–	–	18.9	–	18.9
Equity settled share based payments transactions	17(c)	–	12.2	–	12.2	–	12.2
Deferred tax associated with the LTIP	17(c)	–	(4.2)	–	(4.2)	–	(4.2)
Acquisition of special purpose development entity with non-controlling interests		–	–	–	–	1.4	1.4
Balance at 30 June 2022		873.0	(605.1)	2,290.0	2,557.9	28.2	2,586.1

Year ended 30 June 2023

(expressed in Australian dollars)

	Note	Attributable to Shareholders				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Total		
		\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2022		873.0	(605.1)	2,290.0	2,557.9	28.2	2,586.1
Total comprehensive income/(loss) for the year							
Profit for the year	18	–	–	187.4	187.4	12.8	200.2
Other comprehensive income/(loss) for the year		–	47.2	–	47.2	1.0	48.2
Total comprehensive income for the year, net of income tax		–	47.2	187.4	234.6	13.8	248.4
Contributions by and distributions to owners							
Dividends declared/paid	14	–	–	(94.2)	(94.2)	(29.3)	(123.5)
Issue of shares to employees of Goodman Group	15(a)	46.1	–	–	46.1	–	46.1
Issue of ordinary shares	15(a)	11.9	–	–	11.9	–	11.9
Issue cossts	15(a)	(0.1)	–	–	(0.1)	–	(0.1)
Equity settled share based payments transactions	17(c)	–	11.6	–	11.6	–	11.6
Deferred tax associated with the LTIP	17(c)	–	(1.0)	–	(1.0)	–	(1.0)
Acquisition of special purpose development entity with non-controlling interests		–	–	–	–	1.3	1.3
Issue of preference shares to non-controlling interest	20(b)	–	–	–	–	28.6	28.6
Balance at 30 June 2023		930.9	(547.3)	2,383.2	2,766.8	42.6	2,809.4

The notes on pages 182 to 217 form part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 30 June 2023

(expressed in Australian dollars)

	Note	2023 \$M	2022 \$M
Cash flows from operating activities			
Property income received		50.4	42.7
Cash receipts from development activities		896.4	1,036.2
Cash receipts from management and other activities		218.0	300.0
Property expenses paid		(8.7)	(5.9)
Payments for development activities		(329.8)	(886.8)
Other cash payments in the course of operations		(242.4)	(262.6)
Dividends/distributions received		102.9	66.1
Interest received		65.0	15.5
Finance costs paid		(0.7)	(1.0)
Net income taxes paid		(68.8)	(87.7)
Net cash provided by operating activities	16(b)	682.3	216.5
Cash flows from investing activities			
Net proceeds from disposal of investment properties		(0.1)	272.5
Payments for investment properties		(100.2)	(413.0)
Net proceeds from disposal of equity accounted investments		–	4.4
Return of capital from equity accounted investments		141.7	166.3
Payments for equity investments		(330.9)	(263.3)
Payments for plant and equipment		(3.5)	(1.7)
Net cash used in investing activities		(293.0)	(234.8)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		11.9	18.9
Transaction costs from issue of ordinary securities		(0.1)	–
Proceeds from borrowings		40.6	9.0
Net (repayments of)/proceeds from loans with related parties		(281.8)	107.5
Payments on derivative financial instruments		(49.0)	–
Dividends paid to Shareholders		(46.7)	(110.8)
Dividends paid to non-controlling interests		(29.3)	(5.5)
Payments of lease liabilities		(7.6)	(8.0)
Capital contributed by non-controlling interests		1.3	1.4
Net cash (used in)/provided by financing activities		(360.7)	12.5
Net increase/(decrease) in cash held		28.6	(5.8)
Cash and cash equivalents at the beginning of the year		357.5	358.4
Effect of exchange rate fluctuations on cash held		5.8	4.9
Cash and cash equivalents at the end of the year	16(a)	391.9	357.5

The notes on pages 182 to 217 form part of these consolidated financial statements.

Notes to the consolidated financial statements

(expressed in Australian dollars)

BASIS OF PREPARATION

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 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.

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, derivative financial instruments, investment in unlisted securities and liabilities for cash settled share based payment arrangements which are stated at fair value.

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.

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 controlled 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 controlled 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.

Australian dollar (AUD) to	Weighted average		As at 30 June	
	2023	2022	2023	2022
Hong Kong dollar (HKD)	5.2751	5.6626	5.2235	5.4241
Chinese yuan (CNY)	4.6804	4.6840	4.8339	4.6154
Japanese yen (JPY)	92.3936	85.1512	96.1530	93.7770
Euros (EUR)	0.6433	0.6442	0.6109	0.6594
British pounds sterling (GBP)	0.5592	0.5456	0.5249	0.5676
United States dollar (USD)	0.6731	0.7255	0.6664	0.6912

Changes in accounting policies

The Consolidated Entity has adopted International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12 upon their release in July 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately and require new disclosures about the Pillar Two exposure from 30 June 2024. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 30 June 2023 in any jurisdiction in which the Consolidated Entity operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Consolidated Entity's financial statements at 30 June 2023.

The HKICPA has also issued other amendments to standards that were first effective from 1 July 2022 but none of these had a material impact on the Consolidated Entity's financial statements.

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.

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 5 – Property assets
- + Note 13 – 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 5 – Property assets
- + Note 13 – Financial risk management.

RESULTS FOR THE YEAR

1 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.

Notes to the consolidated financial statements

Results for the year (continued)

1 Profit before interest and income tax (continued)

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, when 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 exceed 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 by the purchaser usually occur on completion of the development once legal title has been transferred but payments may be made during the development period on achievement of agreed milestones. The development period can exceed 24 months for larger and more complex developments.

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 benefits

Wages, salaries and annual leave

Wages and salaries, including non-monetary benefits, and annual leave 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.

Superannuation

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 profit or loss.

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

	2023 \$M	2022 \$M
Management services	189.2	162.7
Performance related income	0.3	31.0
Management income	189.5	193.7
Income from disposal of inventories	530.7	747.4
Income from fixed price development contracts	215.6	114.6
Other development income, including development management ¹	164.6	169.6
Net gain on disposal of special purpose development entities, including JVs	23.8	43.4
Development income	934.7	1,075.0
Inventory cost of sales	(296.0)	(354.9)
Other development expenses	(158.4)	(78.6)
Development expenses	(454.4)	(433.5)
Included in employee expenses are the following items:		
Salaries, wages and other benefits	(151.4)	(169.1)
Contributions to defined contribution retirement plans	(0.9)	(1.4)
Employee expenses	(152.3)	(170.5)
Depreciation of plant and equipment	(8.5)	(8.7)
Auditor's remuneration	(1.9)	(1.5)

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 year, \$41.7 million (2022: \$77.0 million) of such income was recognised.

2 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 (Greater China (including the Hong Kong SAR) and Japan), Continental Europe (with the majority of assets located in Germany, France, Spain and the Netherlands) 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 share based remuneration. The assets allocated to each operating segment relate to the properties, which also include the investments in Partnerships, and the trade and other receivables associated with the operating activities, but exclude 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.

Notes to the consolidated financial statements

Results for the year (continued)

2 Segment reporting (continued)

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Statement of comprehensive income	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
External revenues								
Gross property income	29.3	15.3	22.8	27.6	0.7	3.0	52.8	45.9
Management income	124.4	96.8	57.4	90.9	7.7	6.0	189.5	193.7
Development income	100.2	150.2	740.7	892.1	93.8	32.7	934.7	1,075.0
Dividends from investments	0.8	0.2	–	–	–	–	0.8	0.2
Total external revenues	254.7	262.5	820.9	1,010.6	102.2	41.7	1,177.8	1,314.8
Analysis of external revenues:								
Revenues from contracts with customers								
Assets and services transferred at a point in time	28.0	24.8	534.4	792.2	33.8	12.8	596.2	829.8
Assets and services transferred over time	198.9	223.2	265.7	193.7	67.8	25.9	532.4	442.8
Other revenue								
Rental income (excludes outgoings recoveries)	27.0	14.3	20.8	24.7	0.6	3.0	48.4	42.0
Dividends from investments	0.8	0.2	–	–	–	–	0.8	0.2
Total external revenues	254.7	262.5	820.9	1,010.6	102.2	41.7	1,177.8	1,314.8
Reportable segment profit before income tax	209.1	252.5	336.7	505.2	96.2	42.8	642.0	800.5
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)	29.2	67.2	14.2	7.6	34.9	9.8	78.3	84.6
Share of fair value adjustments attributable to investment properties in Partnerships	16.5	43.7	(24.1)	22.3	(152.5)	203.8	(160.1)	269.8
	Asia		Continental Europe		United Kingdom		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Statement of financial position	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Reportable segment assets	2,346.0	1,971.9	1,177.5	1,312.4	958.6	957.2	4,482.1	4,241.5
Included in reportable segment assets are:								
Equity accounted investments in Partnerships	1,094.9	1,000.8	169.0	164.2	586.7	680.6	1,850.6	1,845.6
Non-current assets	2,073.9	1,743.8	893.7	1,017.0	835.9	899.0	3,803.5	3,659.8
Additions to non-current assets include:								
– Investment properties	101.4	181.3	–	–	–	243.6	101.4	424.9
– Equity accounted investments in Partnerships	176.9	99.9	15.5	1.3	138.0	162.1	330.4	263.3
Reportable segment liabilities	201.2	160.8	147.7	124.1	49.8	113.5	398.7	398.4

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

	Note	2023 \$M	2022 \$M
Revenue			
Total revenue for reportable segments		1,177.8	1,314.8
Consolidated revenues		1,177.8	1,314.8
Profit or loss			
Total profit before income tax for reportable segments		642.0	800.5
Corporate expenses not allocated to reportable segments		(41.6)	(66.6)
		600.4	733.9
Valuation and other adjustments not included in reportable segment profit before income tax:			
– Net loss from fair value adjustments on investment properties	5(e)	(0.4)	(0.3)
– Share of fair value adjustments attributable to investment properties in Partnerships	5(f)(ii)	(160.1)	269.8
– Share of fair value adjustments on derivative financial instruments in Partnerships	5(f)(ii)	(10.0)	(9.1)
– Share based payments expense		(111.8)	(94.0)
Net finance expense	10	(91.0)	(23.4)
Consolidated profit before income tax		227.1	876.9
Assets			
Total assets for reportable segments		4,482.1	4,241.5
Other unallocated amounts ¹		821.2	1,041.8
Consolidated total assets		5,303.3	5,283.3
Liabilities			
Total liabilities for reportable segments		398.7	398.4
Other unallocated amounts ¹		2,095.2	2,298.8
Consolidated total liabilities		2,493.9	2,697.2

1. Other unallocated amounts comprise principally receivables from and payables to GL, GIT and their controlled entities.

Notes to the consolidated financial statements

Results for the year (continued)

3 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 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

	2023 \$M	2022 \$M
Current tax expense – Hong Kong profits tax		
Current year	(13.2)	(14.2)
Changes in estimates related to prior years	2.3	1.9
	(10.9)	(12.3)
Current tax expense – overseas		
Current year	(57.0)	(59.8)
Changes in estimates related to prior years	(3.1)	0.4
	(60.1)	(59.4)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	44.1	(42.4)
	44.1	(42.4)
Total income tax expense	(26.9)	(114.1)

The provision for Hong Kong profits tax for the year ended 30 June 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between accounting profit and income tax expense at applicable tax rates

	2023 \$M	2022 \$M
Profit before income tax	227.1	876.9
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(70.5)	(206.4)
(Increase)/decrease in income tax due to:		
– Current year losses for which no deferred tax asset was recognised	(13.7)	(11.4)
– Non-assessable income	60.9	123.5
– Non-deductible expense	(27.4)	(45.4)
– Utilisation of previously unrecognised tax losses	24.6	23.3
– Changes in estimates related to prior years	(0.8)	2.3
Income tax expense	(26.9)	(114.1)

(c) Current tax receivables/payables

	2023 \$M	2022 \$M
Net income tax payable at the beginning of the year	(31.9)	(44.7)
Decrease/(increase) in current net tax payable due to:		
– Net income taxes paid	68.8	87.7
– Net income tax expense on current year's profit	(70.2)	(74.0)
– Changes in estimates related to prior years	(0.8)	2.3
– Other	(17.7)	(3.2)
Net income tax payable at the end of the year	(51.8)	(31.9)
Current tax receivables	0.3	0.6
Current tax payables	(52.1)	(32.5)
	(51.8)	(31.9)

(d) Deferred tax assets and liabilities

Deferred tax assets of \$20.2 million (2022: \$18.8 million) arising from performance rights awarded under the LTIP and deferred tax liabilities of \$9.5 million (2022: \$50.5 million) arising from investment properties were recognised in the consolidated statement of financial position.

Movements in deferred taxes recognised in expenses and equity are attributable to the following:

	2023 \$M	2022 \$M
Deferred tax benefit/(expense) recognised in expenses		
Investment properties – fair value adjustments	50.9	(54.6)
LTIP	1.5	7.8
Other items	(8.3)	4.4
Total deferred tax benefit/(expense) recognised in expenses	44.1	(42.4)
Deferred tax benefit/(expense) recognised in equity		
LTIP	(1.1)	(4.2)
Total deferred tax expense recognised in equity	(1.1)	(4.2)
Total deferred tax movements recognised in expenses and equity	43.0	(46.6)

Deferred tax assets of \$205.2 million (2022: \$190.0 million) arising primarily from tax losses have not been recognised by the Consolidated Entity.

4 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of \$603.8 million (2022: \$265.3 million) which has been dealt with in the financial statements of the Company.

Notes to the consolidated financial statements

OPERATING ASSETS AND LIABILITIES

5 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 two 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	2023 \$M	2022 \$M
Inventories			
Current	5(d)	121.6	175.2
Non-current	5(d)	1,410.6	1,377.4
		1,532.2	1,552.6
Investment properties			
Stabilised investment properties	5(e)	451.7	336.8
		451.8	336.8
Property held by Partnerships			
Investments accounted for using the equity method	5(f)	1,850.6	1,845.6
		1,850.6	1,845.6

(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, rental income 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 knowledgeably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in 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/or 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. The number of sales and the circumstances of each sale are assessed to determine whether a market segment is active or inactive.

Where a market segment is observed to be active, then external independent valuations are instructed for stabilised investment properties where there has been a combination of factors that are likely to have resulted in a material movement in valuation. The considerations include a greater than 10% movement in market rents, more than a 25 basis point movement in capitalisation rates, 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), significant capital expenditure, a change in use (or zoning), a development has reached completion/stabilisation of the asset or it has been two 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.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

5 Property assets (continued)

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:

- + Current contractual lease terms
- + Current market rents
- + Projected growth in market rents
- + Expected and likely capital expenditures
- + Projected letting up incentives provided to customers and vacant time on expiry of leases
- + Discount rates – 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

With the more volatile economic conditions in FY23 compared to prior years, there have been fewer transactions of industrial, logistics and warehousing properties during the year. Nevertheless, at 30 June 2023, the Board has been able to assess that all markets in which the Consolidated Entity operates are 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:

Segment	Total portfolio weighted average capitalisation rate	
	2023 %	2022 %
Asia	5.2	5.2
Continental Europe	4.4	3.4
United Kingdom	4.9	3.7

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. The usual valuation methods are either based on income capitalisation or market comparison. Where the income comparison method is adopted then the stabilised investment property valuations at 30 June 2023 are most sensitive to the following inputs:

- + Capitalisation rates
- + Market rents
- + Incentives provided to customers and/or vacant time on expiry of leases.

The directly held stabilised investment properties are in Asia. The average net market rents, average capitalisation rate and range of prices is summarised in the table below:

Valuation technique	Significant unobservable inputs	2023	2022
Income capitalisation	Average net market rent (per square metre per annum)	\$302	\$258
	Average capitalisation rate	4.2%	4.2%
Market comparison	Price per square metre	\$9,885 – \$21,218	\$9,201 – \$18,019

The impacts on the Consolidated Entity's financial position that would arise from the changes in capitalisation rates, market rents and incentives/re-leasing time 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 A\$M	Partnerships ¹ \$M
Book value at 30 June 2023	451.7	1,991.9
Changes in capitalisation rates:		
Increase in capitalisation rates +50 basis points (bps)	(48.5)	(180.7)
Increase in capitalisation rates +25 bps	(25.6)	(94.6)
Decrease in capitalisation rates -25 bps	28.9	104.6
Decrease in capitalisation rates -50 bps	61.8	220.9
Changes in market rents:		
Decrease in rents -5%	(20.0)	(88.6)
Decrease in rents -2.5%	(10.0)	(44.3)
Increase in rents +2.5%	10.0	44.3
Increase in rents +5%	20.0	88.6
Changes in incentives/vacant time²:		
Increase in incentives/re-leasing times +3 months	(1.8)	(6.3)
Increase in incentives/re-leasing times +6 months	(3.5)	(12.5)

1. Reflects the Consolidated Entity's share in Partnerships.

2. On assumed lease expiries over the next 12 months.

Investment properties under development

For the directly held investment properties under development, external independent valuations are generally not performed, but instead valuations are determined at each reporting date using the feasibility assessments supporting the developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, market rents, incentives provided to customers and vacant time that are consistent with those observed in the relevant market, adjusted for a profit and risk factor. The profit and risk factors are dependent on the function, location, size and current status of the developments and are 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 higher. 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.

In respect of the Partnerships, certain Partnerships obtain external independent valuations of investment properties under development at reporting dates. However, the majority determine the fair values at reporting dates by reference to the feasibility assessments, with external independent valuations obtained when the properties have been stabilised.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

5 Property assets (continued)

(d) Inventories

	2023 \$M	2022 \$M
Current		
Freehold land and development properties	29.3	175.2
Leasehold land and development properties	92.3	–
	121.6	175.2
Non-current		
Freehold land and development properties	969.6	964.1
Leasehold land and development properties	441.0	413.3
	1,410.6	1,377.4

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

As at 30 June 2023, the ownership interests in leasehold land and development properties, carried at the lower of cost or net realisable value, are held in China and Continental Europe with remaining lease terms of between 40 and 97 years.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	2023 \$M	2022 \$M
Leasehold investment properties		
Carrying amount at the beginning of the year	336.8	163.9
Acquisitions	100.2	420.4
Capital expenditure	1.2	4.5
Disposals	–	(269.7)
Net loss from fair value adjustments	(0.4)	(0.3)
Effect of foreign currency translation	13.9	18.0
Carrying amount at the end of the year	451.7	336.8
Analysed by segment:		
Asia	451.7	336.8
	451.7	336.8

As at 30 June 2023, the ownership interests in leasehold investment properties, carried at fair value, are held in Hong Kong with remaining lease terms of 24 years.

Non-cancellable operating lease commitments receivable from investment property customers

The analysis in the table below reflects the gross property income, excluding recoverable outgoings, based on 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.

	2023 \$M	2022 \$M
Non-cancellable operating lease commitments receivable:		
Less than one year	14.5	8.6
One to two years	12.2	8.7
Two to three years	9.9	8.2
Three to four years	4.3	6.6
Four to five years	0.2	3.5
	41.1	35.6

(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 the Consolidated Entity exercises significant influence but not control over its financial and operating policies.

JVs

A JV is an arrangement 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 Partnerships are accounted for using the equity method. Under this method, the Consolidated Entity's investment is initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Consolidated Entity's share of the gains or losses and other comprehensive income of Partnerships until the date on which significant influence or joint control ceases.

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.

Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets 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.

(i) Investments in associates

The Consolidated Entity owns a 39.9% interest in certain development entities in Continental Europe with a carrying value of \$0.2 million.

The consolidated share of the results recognised during the year was a loss of \$0.4 million.

(i) Investments in JVs

The Consolidated Entity's principal Partnerships are set out below:

		Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name	Country of establishment	2023 \$M	2022 \$M	2023 %	2022 %	2023 \$M	2022 \$M
Property investment and development							
Goodman China Logistics Partnership (GCLP)	Cayman Islands	26.8	56.8	20.0	20.0	923.3	918.0
Goodman UK Partnerships (GUKP) ¹	United Kingdom	(125.4)	213.4	35.0	35.3	573.7	676.3
Other JVs		7.2	75.1			353.4	251.3
		(91.4)	345.3			1,850.4	1,845.6

1. The consolidated ownership interest in GUKP reflected the weighted average ownership in GUKP, GUKP II and GUKP III.

The Consolidated Entity's property investment 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 amount of investments in JVs is set out as follows:

	2023 \$M	2022 \$M
Movements in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	1,845.6	1,470.0
Share of net results after tax (before fair value adjustments)	78.7	84.6
Share of fair value adjustments attributable to investment properties after tax	(160.1)	269.8
Share of fair value adjustments on derivative financial instruments	(10.0)	(9.1)
Share of net results	(91.4)	345.3
Share of movements in reserves	(0.1)	7.2
Acquisitions	329.8	263.3
Disposals	(0.1)	(3.4)
Capital return	(141.7)	(166.3)
Dividends/distributions received and receivable	(102.1)	(65.8)
Effect of foreign currency translation	10.4	(4.7)
Carrying amount at the end of the year	1,850.4	1,845.6

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

5 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.

	GCLP		GUKP	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Summarised statement of financial position				
Current assets				
Cash and cash equivalents	398.2	427.4	44.2	41.1
Other current assets	198.2	148.3	15.8	12.9
Total current assets	596.4	575.7	60.0	54.0
Total non-current assets	6,660.0	6,303.3	2,216.0	2,421.8
Current liabilities				
Financial liabilities (excluding trade payables and other provisions)	77.2	70.6	–	–
Other current liabilities	2,990.0	2,870.0	55.1	24.7
Total current liabilities	3,067.2	2,940.6	55.1	24.7
Non-current liabilities				
Financial liabilities (excluding trade payables and other provisions)	1,354.2	1,111.8	583.1	537.8
Other non-current liabilities	733.4	718.3	–	–
Total non-current liabilities	2,087.6	1,830.1	583.1	537.8
Net assets (100%)	2,101.6	2,108.3	1,637.8	1,913.3
Consolidated ownership interest (%)	20.0	20.0	35.0	35.3
Consolidated share of net assets	420.4	421.7	573.2	676.0
Shareholder loans ¹	499.6	492.9	–	–
Other items, including acquisition costs	3.3	3.4	0.5	0.3
Carrying amount of interest in JV	923.3	918.0	573.7	676.3
Summarised statement of comprehensive income				
Revenue	210.0	215.0	93.2	39.8
Net finance expense	(32.7)	(20.3)	(11.3)	(1.0)
Income tax expense	(44.1)	(46.3)	(0.2)	(0.2)
Profit and total comprehensive income (100%)	134.1	320.0	(337.0)	575.6
Consolidated share of profit and total comprehensive income	26.8	64.0	(125.4)	213.4
Dividends/distributions received and receivable by the Consolidated Entity	8.5	7.3	–	3.9

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.

With respect to the Consolidated Entity's other JVs, the total profit after tax and revaluations was \$59.9 million (2022: \$308.7 million) and total other comprehensive income was \$nil (2022: \$nil).

6 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. Loans and receivables comprise trade and other receivables, amounts due from related parties and loans to related parties. 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.

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

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 and other receivables, amounts due from related parties and loans to related parties.

Other financial assets measured at fair value are not subject to the ECL assessment.

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 and other receivables, amounts due from related parties 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	2023 \$M	2022 \$M
Current			
Trade receivables		19.6	5.0
Other receivables		56.6	70.2
Amounts due from related parties		46.3	37.1
Loans to related parties	20(c)	51.3	3.3
		173.8	115.6
Non-current			
Loans to related parties	20(c)	612.0	789.6
		612.0	789.6

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.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Receivables (continued)

Trade receivables

No trade receivables were impaired at 30 June 2023 and 2022. There are no significant overdue trade receivables at 30 June 2023.

Other receivables

At 30 June 2023, none of the other receivables were overdue or impaired (2022: \$nil).

Amounts due from related parties

At 30 June 2023, none of the amounts due from related parties was overdue or impaired (2022: \$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 20(c) for details of loans to related parties. During the year, no impairment losses were recognised on loans to related parties (2022: \$nil). The loans to related parties are unsecured

7 Contract assets and liabilities

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:

	2023 \$M	2022 \$M
Current		
Receivables from contracts with customers, which are included in trade receivables, other receivables and amounts due from related parties	65.7	42.7
Contract assets	70.7	60.5
Contract liabilities	9.8	4.6

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

	2023		2022	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	\$M	\$M	\$M	\$M
Balance at the beginning of the year	60.5	4.6	55.7	5.8
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	–	(1.4)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	5.2	–	–
Transfers from contract assets to receivables	(371.6)	–	(380.4)	–
Increase due to changes in the measure of progress during the year	379.8	–	385.0	–
Effect of foreign currency translation	2.0	–	0.2	0.2
Balance at the end of the year	70.7	9.8	60.5	4.6
Current contract assets and liabilities	70.7	9.8	60.5	4.6
	70.7	9.8	60.5	4.6

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 (2022: \$nil).

The Consolidated Entity's future rental income from existing lease agreements is included in note 5.

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)

8 Payables

Non-derivative financial liabilities

The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the 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.

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, contract liabilities and lease liabilities.

	Note	2023 \$M	2022 \$M
Current			
Trade payables		47.5	45.7
Other payables and accruals		220.2	216.1
Contract liabilities	7	9.8	4.6
Lease liabilities	9	7.7	8.2
		285.2	274.6
Non-current			
Other payables and accruals		62.9	56.1
Lease liabilities	9	30.4	37.1
		93.3	93.2

9 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 rate 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 the Consolidated Entity 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 5(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:

	2023 \$M	2022 \$M
Right of use assets		
Inventories	533.3	413.3
Investment properties	451.7	336.8
Property, plant and equipment	15.5	18.1
	1,000.5	768.2
Lease liabilities		
Current	7.7	8.2
Non-current	30.4	37.1
	38.1	45.3

The following were recognised during the year:

	2023 \$M	2022 \$M
Additions to right of use assets	229.5	332.0
Depreciation of right of use assets	6.9	6.9
Interest expense on lease liabilities	0.4	0.4
Cash outflows on lease liabilities	7.6	8.0

CAPITAL MANAGEMENT

10 Net finance 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	2023 \$M	2022 \$M
Finance income			
Interest income on loans to:			
– Related parties	20	23.1	11.6
– Other parties		4.3	0.9
Interest income from derivatives		10.7	8.0
Foreign exchange gain		–	27.5
		38.1	48.0
Finance expense			
Interest expense from related party loans	20	(47.5)	(41.8)
Other borrowing costs		(2.5)	(2.7)
Fair value adjustments on derivative financial instruments		(69.5)	(38.5)
Foreign exchange losses		(18.8)	–
Capitalised borrowing costs		9.2	11.6
		(129.1)	(71.4)
Net finance expense		(91.0)	(23.4)

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 1.9% and 8.9% per annum (2022: 1.0% and 10.6% per annum).

11 Interest bearing liabilities

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

	Note	2023 \$M	2022 \$M
Non-current			
Bank loans, secured	11(b)	47.9	9.0
Borrowing costs		(1.2)	–
		46.7	9.0

(a) Finance facilities

	Facilities available \$M	Facilities utilised \$M
30 June 2023		
Bank loans, secured	220.4	47.9
	220.4	47.9
30 June 2022		
Bank loans, secured	28.2	9.0
	28.2	9.0

(b) Bank loans, secured

As at 30 June 2023, the Consolidated Entity had the following secured bank facilities.

	Facility maturity date	Facility limit \$M	Amounts drawn \$M
	9 January 2028	79.7	–
	5 January 2033	51.7	17.9
	18 March 2034	26.9	17.4
	20 April 2038	62.1	12.6
Total facilities at 30 June 2023		220.4	47.9
Total facilities at 30 June 2022		28.2	9.0

Notes to the consolidated financial statements

Capital management (continued)

12 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

	2023 \$M	2022 \$M
Current		
Derivative financial instruments	11.3	–
	11.3	–
Non-current		
Derivative financial instruments	106.6	131.3
Investment in unlisted securities, at fair value ¹	54.5	43.5
	161.1	174.8

1. Principally relates to the Consolidated Entity's 10.0% (2022: 10.0%) interest in Goodman Japan Limited. During the year, a revaluation gain of \$10.7 million was recognised in other comprehensive income (2022: \$9.4 million gain). Refer to note 13(d) for assumptions made in measuring fair value of the unlisted securities.

Other financial liabilities

	2023 \$M	2022 \$M
Current		
Derivative financial instruments	79.9	45.4
	79.9	45.4
Non-current		
Derivative financial instruments	98.1	141.4
	98.1	141.4

13 Financial risk management

The Goodman Group Board has overall responsibility for approving Goodman Group's risk management framework. The Goodman Group Board has established the Goodman Group Audit, Risk and Compliance committee, which is responsible for reviewing, approving and subsequently monitoring Goodman Group's risk management policies, including the FRM policy. The FRM policy is established to identify and analyse the financial risks faced by Goodman Group, to set appropriate risk limits and controls for managing the financial affairs of Goodman Group, and to monitor those risks and adherence to limits by Goodman Group Management.

Goodman Group's treasury function is responsible for the day to day compliance with Goodman Group's FRM policy and prepares reports for consideration by management committees and the Goodman Group 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 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 policy 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 the 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 2023, 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:

	2023			2022		
	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	(1,650.0)	300.5	5.5118	(1,150.0)	202.3	5.6948
	EUR'M	AUD'M	AUD/EUR	EUR'M	AUD'M	AUD/EUR
AUD receivable/EUR payable	(495.0)	803.0	0.6165	(775.0)	1,238.3	0.6263
	GBP'M	AUD'M	AUD/GBP	GBP'M	AUD'M	AUD/GBP
AUD receivable/GBP payable	(150.0)	279.8	0.5361	(255.0)	474.4	0.5375
	USD'M	AUD'M	AUD/USD	USD'M	AUD'M	AUD/USD
AUD receivable/USD payable	(450.0)	634.6	0.7092	(450.0)	634.6	0.7092
	JPY'M	AUD'M	AUD/JPY	JPY'M	AUD'M	AUD/JPY
AUD receivable/JPY payable	(14,000.0)	177.7	78.9821	(6,000.0)	71.9	83.4650
	CNY'M	USD'M	USD/CNY	CNY'M	USD'M	USD/CNY
USD receivable/CNY payable	(4,727.6)	642.2	7.3612	(4,258.6)	539.6	7.8927

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2022: 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 \$21.9 million (2022: \$48.8 million). If the Australian dollar had been 5% (2022: 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 \$21.9 million (2022: \$48.8 million).

Interest rate risk

Goodman Group's interest rate payments risk arises from variable rate borrowings and Goodman Group's CCIRS that hedge the overseas investments. Goodman Group has a policy of hedging between 60% and 100% of its payments exposure to changes in interest rates for a 3 year period, progressively decreasing from the fourth year. The Consolidated Entity enters into interest rate derivatives (IRD) to manage cash flow risks associated with the interest rates on payments 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 2023, the Consolidated Entity's fixed and floating rate exposure (by principal) based on existing interest bearing liabilities and derivative financial instruments is set out below:

	Interest bearing liabilities \$M	Impact of derivatives CCIRS \$M	IRD \$M	Net interest rate exposure \$M
30 June 2023¹				
Fixed rate liabilities	–	–	1,418.7	1,418.7
Floating rate liabilities	47.9	2,232.8	(1,418.7)	862.0
	47.9	2,232.8	–	2,280.7
30 June 2022²				
Fixed rate liabilities	–	–	1,106.0	1,106.0
Floating rate liabilities	9.0	2,551.6	(1,106.0)	1,454.6
	9.0	2,551.6	–	2,560.6

1. The Consolidated Entity is also exposed to variable interest rates on cash at bank and the principal amount of the Australian dollar receiver legs of the CCIRS. At 30 June 2023, the Consolidated Entity's cash at bank was \$391.9 million (FY22: \$357.5 million) and the principal amount of the Australian dollar receiver legs of the CCIRS was \$2,195.5 million (FY22: \$2,621.5 million). Accordingly, at 30 June 2023, the Consolidated Entity had a total variable interest rate exposure on its cash and receivables (by principal) of \$2,587.4 million (2022: \$2,979.0 million).

2. For consistency with the current year's presentation, the comparative figures have been adjusted to exclude the principal amount of the Australian dollar receiver legs of CCIRS which hedge the Australia dollar receiver legs. The adjustments amounted to \$2,621.5 million to the principal amount of CCIRS.

Notes to the consolidated financial statements

Capital management (continued)

13 Financial risk management (continued)

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that existed at 30 June 2023, the Consolidated Entity would have the following fixed payable 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 and that no new arrangements are entered into.

Number of years post balance date	2023		2022	
	Fixed interest rate (by principal) \$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) ¹ \$M	Weighted average interest rate ¹ % per annum
1 year	1,350.7	0.88	1,033.7	0.54
2 years	619.3	1.69	970.7	0.54
3 years	491.1	1.98	275.3	0.44
4 years	491.1	1.98	151.7	0.31
5 years	458.4	2.14	151.7	0.31

1. For consistency with the current year's presentation, the comparative figures have been adjusted to exclude the principal amount and associated interest rate impact of the Australian dollar receiver legs of CCIRS and the principal amount of IRDs which hedge the inflows arising from them.

Sensitivity analysis

Based on the Consolidated Entity's interest bearing borrowings and derivative financial instruments at 30 June 2023, if interest rates on borrowings had been 100 bps per annum (2022: 100 bps per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders, excluding derivative mark to market movements, would have been \$10.2 million lower/higher (2022: \$11.8 million lower/higher).

Managing interest rate benchmark reform and associated risks

In recent years, a fundamental reform of major interest rate benchmarks is being undertaken globally by relevant regulators, including the replacement of some interbank offered rates (IBORs) with alternative risk-free rates (referred to as IBOR reform). The Consolidated Entity had exposure to IBORs that have changed or are soon to change through certain of its related party loans and its derivative instruments (IRD and CCIRS). The Consolidated Entity's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA) master agreements.

Amendments to the Consolidated Entity's financial instruments with contractual terms indexed to sterling London Interbank Offered Rate (LIBOR), Japanese yen LIBOR or US dollar LIBOR, such that they incorporate the new benchmark rates, were completed by 31 December 2021. The sterling and Japanese yen LIBORs transitioned on 1 January 2023 and the US dollar LIBOR transitioned to the Secured Overnight Financing Rate on 1 July 2023.

For the Consolidated Entity's other IBOR exposures, the transition to alternative risk-free rates has been deferred and/or extended and therefore no action has been or will be taken in that regard until such time as the alternative reference rates are defined and scheduled. It is expected that these will follow the conventions established in other markets and the Consolidated Entity will apply the same principles for those transitions as and when they become relevant.

(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 \$M	Contractual cash flows \$M	Up to 12 months \$M	1 to 2 year(s) \$M	2 to 3 years \$M	3 to 4 years \$M	4 to 5 years \$M	More than 5 years \$M
As at 30 June 2023								
Non-derivative financial liabilities								
Trade and other payables (excluding contract liabilities)	330.6	330.6	267.7	62.9	–	–	–	–
Lease liabilities	38.1	87.1	8.0	5.5	2.8	2.4	2.1	66.3
Bank loans, secured ¹	47.9	47.9	–	–	–	–	–	47.9
Loans from related parties	1,676.1	1,683.5	89.1	538.9	415.9	93.3	474.4	71.9
Total non-derivative financial liabilities	2,092.7	2,149.1	364.8	607.3	418.7	95.7	476.5	186.1
Derivative financial liabilities								
Net settled: ²	(10.4)	(10.8)	(11.7)	12.4	(4.5)	(4.5)	(4.0)	1.5
Gross settled: ³								
(Inflow)	70.5	(512.7)	(104.3)	(88.4)	(106.2)	(85.0)	(57.7)	(71.1)
Outflow	–	504.8	142.7	90.0	83.3	122.7	27.5	38.6
Total derivative financial liabilities	60.1	(18.7)	26.7	14.0	(27.4)	33.2	(34.2)	(31.0)
As at 30 June 2022								
Non-derivative financial liabilities								
Trade and other payables (excluding contract liabilities)	317.9	317.9	261.8	56.1	–	–	–	–
Lease liabilities	45.3	94.9	8.4	10.9	73.3	0.9	0.6	0.8
Bank loans, secured ¹	9.0	9.0	–	–	–	–	–	9.0
Loans from related parties	1,941.0	1,949.0	129.3	3.1	26.3	504.8	708.9	576.6
Total non-derivative financial liabilities	2,313.2	2,370.8	399.5	70.1	99.6	505.7	709.5	586.4
Derivative financial liabilities								
Net settled: ²	(39.6)	15.5	22.0	5.9	19.6	(20.5)	(5.0)	(6.5)
Gross settled: ³								
(Inflow)	95.1	(459.5)	(78.4)	(95.3)	(88.8)	(118.5)	(72.8)	(5.7)
Outflow	–	308.4	47.1	80.3	57.8	53.2	63.2	6.8
Total derivative financial liabilities	55.5	(135.6)	(9.3)	(9.1)	(11.4)	(85.8)	(14.6)	(5.4)

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under the Consolidated Entity's bank facilities.

2. Net settled includes IRD and FEC.

3. Gross settled includes CCIRS.

Notes to the consolidated financial statements

Capital management (continued)

13 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 6).

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 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)
- + 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 2023 and 2022.

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (see Basis of preparation):

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2023				
Derivative financial assets	–	117.9	–	117.9
Investment in unlisted securities	–	–	54.5	54.5
	–	117.9	54.5	172.4
Derivative financial liabilities	–	178.0	–	178.0
	–	178.0	–	178.0
As at 30 June 2022				
Derivative financial assets	–	131.3	–	131.3
Investment in unlisted securities	–	–	43.5	43.5
	–	131.3	43.5	174.8
Derivative financial liabilities	–	186.8	–	186.8
	–	186.8	–	186.8

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 IRD, 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	DOF: 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.	<ul style="list-style-type: none"> + Assets under management of \$7.2 billion in year five + Average annual development of 124,982 square metres + Five-year terminal value growth rate of 0.91% + Risk adjusted post tax discount rate of 7.38% per annum. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> + 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

	2023 \$M	2022 \$M
Carrying amount at the beginning of the year	43.5	38.2
Acquisitions	1.2	-
Net change in fair value – included in other comprehensive income	10.7	9.4
Effect of foreign currency translation	(0.9)	(4.1)
Carrying amount at the end of the year	54.5	43.5

14 Dividends

During the financial year, the Company declared a final dividend of 5.0 cents per share amounting to \$94.2 million. This dividend will be paid on 25 August 2023. In the prior year, the Company declared a final dividend of 2.5 cents per share amounting to \$46.7 million. This was paid on 25 August 2022.

Notes to the consolidated financial statements

Capital management (continued)

15 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.

	2023	2022	2023	2022
	Number of shares		\$M	\$M
Share capital	1,883,819,883	1,868,222,609	931.6	873.6
Less: Accumulated issue costs			(0.7)	(0.6)
Total issued capital	1,883,819,883	1,868,222,609	930.9	873.0

Date	Details	Number of shares	Share capital \$M
	Ordinary shares, issued and fully paid		
	Balance at 30 June 2021	1,847,429,255	792.5
31 Aug 2021	Shares issued to employees of Goodman Group ¹	14,716,648	57.4
31 Aug 2021	Treasury shares issued	1,233,333	4.8
2 Sep 2021	Ordinary shares issued	4,843,373	18.9
	Balance at 30 June 2022	1,868,222,609	873.6
1 Sep 2022	Shares issued to employees of Goodman Group ¹	12,246,479	46.1
19 May 2023	Ordinary shares issued	3,350,795	11.9
	Balance at 30 June 2023	1,883,819,883	931.6

1. During the year, the Company issued 12,246,479 (2022: 14,716,648) shares to employees of Goodman Group under the 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 performance rights under the LTIP was as follows:

	Number of rights	
	2023	2022
Outstanding at the beginning of the year	24,616,181	22,734,427
Issued	8,149,820	8,220,860
Vested	(5,568,204)	(6,208,554)
Forfeited	(439,388)	(130,552)
Outstanding at the end of the year	26,758,409	24,616,181
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:

	10-year rights issued on 17 Nov 2022	10-year rights issued on 30 Sep 2022	5-year rights issued on 30 Sep 2022
Fair value at measurement date (\$)	13.89	11.69	12.32
Security price (\$)	18.18	15.78	15.78
Exercise price (\$)	–	–	–
Expected volatility (%)	27.61	27.15	31.49
Rights' expected weighted average life (years)	6.8	6.9	3.9
Dividend/distribution yield per annum (%)	1.65	1.90	1.90
Average risk-free rate of interest per annum (%)	3.43	3.76	3.62

The model inputs for the remeasurement of the cash settled performance rights at 30 June 2023 included the following:

	10-year rights issued in FY23	10-year rights issued in FY22	5-year rights issued in FY23	5-year rights issued in FY22	5-year rights issued in FY21	5-year rights issued in FY20	5-year rights issued in FY19
Fair value at measurement date (\$)	9.00	12.11	9.18	14.51	19.72	19.87	20.02
Security price (\$)	20.07	20.07	20.07	20.07	20.07	20.07	20.07
Exercise price (\$)	–	–	–	–	–	–	–
Expected volatility (%)	27.59	27.88	28.50	28.33	26.02	25.28	19.62
Rights' expected weighted average life (years)	6.2	5.7	3.2	2.2	1.2	0.7	0.2
Dividend/distribution yield per annum (%)	1.49	1.49	1.49	1.49	1.49	1.49	1.49
Average risk-free rate of interest per annum (%)	3.99	4.01	4.12	4.12	4.17	4.18	4.18

Share based payment expense included in profit or loss was as follows:

	2023 \$M	2022 \$M
Share based payment expense:		
– Equity settled	47.6	41.2
– Cash settled	64.2	52.8
	111.8	94.0

At 30 June 2023, a liability of \$103.6 million (2022: \$91.7 million) was recognised in relation to cash settled performance rights.

Notes to the consolidated financial statements

OTHER ITEMS

16 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:

	2023 \$M	2022 \$M
Cash assets	391.9	357.5
	391.9	357.5

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

	2023 \$M	2022 \$M
Profit for the year	200.2	762.8
Items classified as investing activities		
Net gain on disposal of investment properties	(4.1)	(3.8)
Net gain on disposal of equity accounted investments	–	(0.2)
Non-cash items		
Depreciation of plant and equipment	8.5	8.7
Share based payments expense	111.8	94.0
Net loss from fair value adjustments on investment properties	0.4	0.3
Share of net results of equity accounted investments	91.8	(345.3)
Net finance expense	91.0	23.4
Income tax expense	26.9	114.1
	526.5	654.0
Changes in assets and liabilities during the year:		
– (Increase)/decrease in receivables	(15.9)	52.0
– Decrease/(increase) in inventories	95.1	(447.8)
– Decrease in other assets	2.5	10.9
– Decrease in payables	(21.1)	(45.8)
– (Decrease)/increase in provisions (including employee benefits)	(2.4)	0.6
	584.7	223.9
Dividends/distributions received from equity accounted investments	102.1	65.8
Net finance income received	64.3	14.5
Net income taxes paid	(68.8)	(87.7)
Net cash provided by operating activities	682.3	216.5

(c) Reconciliation of liabilities arising from financing activities

	Interest bearing liabilities \$M	Derivatives used for hedging \$M	Dividends payable \$M	Loans (to)/ from related parties \$M	Lease liabilities \$M
Balance at 1 July 2021	-	24.7	110.8	1,052.3	66.0
Changes from financing cash flows					
Proceeds from borrowings	9.0	-	-	-	-
Net (repayments of)/proceeds from loans with related parties	-	(17.4)	-	124.9	-
Payments of lease liabilities	-	-	-	-	(8.0)
Dividends paid	-	-	(110.8)	-	-
Total changes from financing cash flows	9.0	(17.4)	(110.8)	124.9	(8.0)
Changes arising from disposal of controlled entities	-	-	-	1.5	-
Effect of foreign exchange movements	-	9.7	-	11.2	-
Changes in fair value	-	38.5	-	-	-
Other changes					
Issue of shares under the LTIP	-	-	-	(57.4)	-
Equity settled share based payments transactions	-	-	-	(32.0)	-
New leases	-	-	-	-	13.4
Interest income	-	-	-	(11.6)	-
Interest expense	-	-	-	41.8	0.4
Disposal of right of use assets	-	-	-	-	(26.5)
Derivative financial instrument settlement through loans with related parties	-	-	-	17.4	-
Dividends declared	-	-	46.7	-	-
Total other changes	-	-	46.7	(41.8)	(12.7)
Balance at 30 June 2022	9.0	55.5	46.7	1,148.1	45.3
Balance at 1 July 2022	9.0	55.5	46.7	1,148.1	45.3
Changes from financing cash flows					
Proceeds from borrowings	40.6	-	-	-	-
Payments on derivative financial instruments	-	(49.0)	-	-	-
Net repayments of loans with related parties	-	(11.9)	-	(269.9)	-
Payments of lease liabilities	-	-	-	-	(7.6)
Dividends paid	-	-	(46.7)	-	-
Total changes from financing cash flows	40.6	(60.9)	(46.7)	(269.9)	(7.6)
Effect of foreign exchange movements	(1.7)	(4.0)	-	180.4	2.6
Changes in fair value	-	69.5	-	-	-
Other changes					
Issue of shares under the LTIP	-	-	-	(46.1)	-
Equity settled share based payments transactions	-	-	-	(36.0)	-
New leases	-	-	-	-	1.6
Interest income	-	-	-	(23.1)	-
Interest expense	-	-	-	47.5	0.4
Other borrowing costs	(1.2)	-	-	-	-
Disposal of right of use assets	-	-	-	-	(4.2)
Derivative financial instrument settlement through loans with related parties	-	-	-	11.9	-
Dividends declared	-	-	94.2	-	-
Total other changes	(1.2)	-	94.2	(45.8)	(2.2)
Balance at 30 June 2023	46.7	60.1	94.2	1,012.8	38.1

Notes to the consolidated financial statements

Other items (continued)

17 Reserves

	Note	Consolidated		Company	
		2023 \$M	2022 \$M	2023 \$M	2022 \$M
Asset revaluation reserve	17(a)	47.4	36.7	47.1	36.2
Foreign currency translation reserve	17(b)	49.6	13.6	–	–
Employee compensation reserve	17(c)	66.9	56.3	64.0	52.4
Defined benefit retirement schemes reserve	17(d)	(8.3)	(8.8)	–	–
Common control reserve ¹	17(e)	(702.9)	(702.9)	–	–
Total reserves		(547.3)	(605.1)	111.1	88.6

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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
(a) Asset revaluation reserve				
Balance at the beginning of the year	36.7	27.3	36.2	27.0
Increase due to revaluation of other financial assets	10.7	9.4	10.9	9.2
Balance at the end of the year	47.4	36.7	47.1	36.2
(b) Foreign currency translation reserve				
Balance at the beginning of the year	13.6	12.7	–	4.8
Net exchange differences on conversion of foreign operations	36.0	0.9	–	(4.8)
Balance at the end of the year	49.6	13.6	–	–
(c) Employee compensation reserve				
Balance at the beginning of the year	56.3	48.3	52.4	40.2
Equity settled share based payment transactions	11.6	12.2	11.6	12.2
Deferred tax associated with the LTIP	(1.0)	(4.2)	–	–
Balance at the end of the year	66.9	56.3	64.0	52.4
(d) Defined benefit retirement schemes reserve				
Balance at the beginning of the year	(8.8)	(14.4)	–	–
Actuarial gains on defined benefit retirement schemes (net of tax)	0.5	5.6	–	–
Balance at the end of the year	(8.3)	(8.8)	–	–
(e) Common control reserve				
Balance at the beginning of the year	(702.9)	(702.9)	–	–
Balance at the end of the year	(702.9)	(702.9)	–	–

18 Retained earnings

	Note	Consolidated		Company	
		2023 \$M	2022 \$M	2023 \$M	2022 \$M
Balance at the beginning of the year		2,290.0	1,584.8	1,013.3	794.7
Profit for the year		187.4	751.9	603.8	265.3
Dividends declared	14	(94.2)	(46.7)	(94.2)	(46.7)
Balance at the end of the year		2,383.2	2,290.0	1,522.9	1,013.3

19 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.

Significant controlled companies	Principal activities	Country of incorporation	Interest held	
			2023 %	2022 %
Goodman Asia Limited	Investment and property management services	Hong Kong	100.0	100.0
Goodman China Limited	Property management and development	Hong Kong	100.0	100.0
Goodman UK Holdings (HK) Limited	Intermediate holding company	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	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 Logistics Developments (UK) Limited	Investment and property management	United Kingdom	100.0	100.0
Goodman Real Estate (UK) Limited	Investment and property development	United Kingdom	100.0	100.0

Notes to the consolidated financial statements

Other items (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.

20 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:

	2023 \$M	2022 \$M
Directors' fees	0.6	0.6
Salaries, allowances and benefits in kind	3.5	3.6
Share based payments	18.0	19.8
	22.1	24.0

(b) Transactions and amounts due from related parties

	Management and development activities		Amounts due from related parties ¹	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
JVs				
GCLP	96.3	104.5	13.6	6.6
GUKP	67.2	55.8	2.6	2.1
KWASA Goodman Germany	8.4	10.1	–	–
Goodman Japan Development Partnership	–	–	0.2	0.7
	171.9	170.4	16.4	9.4
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	118.8	139.1	16.6	9.8
Goodman European Partnership	348.2	769.2	61.5	47.7
Other related parties	5.1	5.8	–	–
	472.1	914.1	78.1	57.5

1. Includes contract assets arising from transactions with related parties.

Transactions with GL

During the year, the Consolidated Entity recognised expenses of \$1.5 million (2022: \$23.1 million) for services provided by a controlled entity of GL. In addition, during the year, a subsidiary of the Consolidated Entity issued preference shares amounting to \$28.6 million to 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M	2023 \$M	2022 \$M
JVs	7.0	27.3	–	–	0.4	0.4
GL, GIT and their controlled entities	656.3	765.6	(1,676.1)	(1,941.0)	(24.8)	(30.6)
	663.3	792.9	(1,676.1)	(1,941.0)	(24.4)	(30.2)

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 2023, details in respect of the principal loan balances are set out below:

+ Loans to GL, GIT and their controlled entities amounting to \$656.3 million (2022: \$765.6 million) are interest bearing and repayable on demand. The interest bearing loans incur interest at rates ranging from 0.8% to 6.4% per annum (2022: 0.6% to 5.1% per annum)

+ Loans from GL, GIT and their controlled entities are interest bearing and amount to \$1,676.1 million (2022: \$1,941.0 million). \$86.6 million of the loans is repayable on demand and \$1,589.5 million is repayable greater than one year from the reporting date. The interest bearing loans incur floating interest at rates ranging from 0.8% to 10.5% per annum (2022: 0.2% to 10.6% per annum).

Notes to the consolidated financial statements

Other items (continued)

21 Commitments

Development activities

At 30 June 2023, the Consolidated Entity was committed to \$172.8 million (2022: \$206.4 million) expenditure in respect of inventories and other development activities.

Investment properties

At 30 June 2023, the Consolidated Entity had capital expenditure commitments of \$0.1 million (2022: \$0.1 million) in respect of its stabilised investment property portfolio.

22 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.

US144A/Regulation S senior notes

Under the issue of notes in the US144A/Regulation S bond market, controlled entities of GIT had on issue USD and EUR notes amounting to US\$1,350.0 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.

23 Company level statement of financial position

	Note	2023 \$M	2022 \$M
Current assets			
Cash		74.7	138.5
Receivables		20.8	7.9
Other financial assets		11.3	–
Total current assets		106.8	146.4
Non-current assets			
Investments in subsidiaries		2,631.3	2,550.5
Receivables		–	32.9
Other financial assets		340.7	267.7
Total non-current assets		2,972.0	2,851.1
Total assets		3,078.8	2,997.5
Current liabilities			
Payables		0.5	0.5
Dividend payable		94.2	46.7
Other financial liabilities		79.9	45.4
Total current liabilities		174.6	92.6
Non-current liabilities			
Payables		241.2	807.7
Other financial liabilities		98.1	122.3
Total non-current liabilities		339.3	930.0
Total liabilities		513.9	1,022.6
Net assets		2,564.9	1,974.9
Equity attributable to Shareholders			
Share capital		930.9	873.0
Reserves	17	111.1	88.6
Retained earnings	18	1,522.9	1,013.3
Total equity attributable to Shareholders		2,564.9	1,974.9

The Company level statement of financial position was approved and authorised for issue by the Board of Directors on 17 August 2023.



Stephen Paul Johns
Independent Chairman



David Jeremy Collins
Director

24 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.

Securities information

Top 20 Securityholders as at 25 August 2023		Number of securities	Percentage of total issued securities
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	655,360,269	34.79
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	569,711,599	30.24
3.	CITICORP NOMINEES PTY LIMITED	210,728,952	11.19
4.	NATIONAL NOMINEES LIMITED	73,365,406	3.89
5.	BNP PARIBAS NOMS PTY LTD <DRP>	59,196,171	3.14
6.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	35,911,799	1.91
7.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	35,176,862	1.87
8.	TRISON INVESTMENTS PTY LTD	16,302,796	0.87
9.	BEESIDE PTY LTD ATF THE BEESIDE TRUST	13,192,040	0.70
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	11,571,038	0.61
11.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	10,155,000	0.54
12.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	4,835,073	0.26
13.	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	4,772,037	0.25
14.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	4,276,459	0.23
15.	UBS NOMINEES PTY LTD	4,036,197	0.21
16.	BNP PARIBAS NOMS (NZ) LTD <DRP>	3,517,260	0.19
17.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,507,826	0.19
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,209,743	0.17
19.	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	3,029,494	0.16
20.	BNP PARIBAS NOMINEES PTY LTD BARCLAYS <DRP A/C>	2,511,535	0.13
Securities held by top 20 Securityholders		1,724,367,556	91.54
Balance of securities held		159,452,327	8.46
Total issued securities		1,883,819,883	100.00

Range	Total holders	Units	% Units
1 – 1,000	32,692	12,017,015	0.64
1,001 – 5,000	19,190	43,761,304	2.32
5,001 – 10,000	3,224	22,745,696	1.21
10,001 – 100,000	1,848	39,301,829	2.09
100,001 – over	107	1,765,994,039	93.74
Total	57,061	1,883,819,883	100.00

There were 804 Securityholders with less than a marketable parcel in relation to 4,978 securities as at 25 August 2023.

Substantial Securityholders ¹	Number of securities
Vanguard Group Inc.	167,546,666
Leader Investment Corporation; China Investment Corporation	167,247,441
Blackrock Investment Management Limited	137,503,983
State Street Corporation	99,948,106

1. In accordance with latest Substantial Securityholder Notices as at 8 September 2023.

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 Depository Nominees Pty Limited to cast one vote for each Chess Depository 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, 17,475,477 performance rights were issued under the Long Term Incentive Plan, of which 2,050,000 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.

ASIC Australian Securities and Investments Commission.

ASX Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

AUM Assets under management: total value of properties directly held or under management.

CPP Investments Formerly 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 Partnership, 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 GFML 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.

GUKEP Goodman United Kingdom Partnership.

IFRS International Financial Reporting Standards.

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.

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.

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.

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

Company Secretary – Carl Bicego

Goodman Industrial Trust

ASRN 091 213 839

Goodman Funds Management Limited

(Responsible Entity for Goodman Industrial Trust)

ABN 48 067 796 641

AFSL Number 223621

Company Secretary – Carl Bicego

Goodman Logistics (HK) Limited

Company No. 1700359

ARBN 155 911 149

Company Secretary – Goodman Secretarial Asia Limited

REGISTERED OFFICES

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Email info-au@goodman.com

Website goodman.com

REGISTERED OFFICES

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Auckland	Hong Kong	Paris
Barcelona	London	Pennsylvania
Beijing	Los Angeles	San Francisco
Birmingham	Luxembourg	São Paulo
Brisbane	Madrid	Shanghai
Brussels	Melbourne	Shenzhen
Chongqing	Milan	Sydney
Düsseldorf	Munich	Tokyo
Guangzhou	New Jersey	

DIRECTORS

Goodman Limited and Goodman Funds Management Limited

Stephen Johns

Independent Chairman

Gregory Goodman

Group Chief Executive Officer

Chris Green

Independent Director

Mark G. Johnson

Independent Director

Vanessa Liu

Independent Director

Danny Peeters

Executive Director

Phillip Pryke

Independent Director

Belinda Robson

Independent Director

Anthony Rozic

Executive Director

Hilary Spann

Independent Director

George Zoghbi

Independent Director

Company Secretary

Carl Bicego

Goodman Logistics (HK) Limited

Stephen Johns

Independent Chairman

Kitty Chung

Independent Director

David Collins

Independent Director

Danny Peeters

Executive Director

Company Secretary

Goodman Secretarial Asia Limited

SECURITY REGISTRAR

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ASX CODE

GMG

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KPMG

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GOODMAN'S 2023 REPORTING SUITE

We encourage you to explore our full suite detailing our Group performance on goodman.com.

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