
GOODMAN GROUP STAKEHOLDER REVIEW AND 2020 ANNUAL REPORT

Date	24.09.2020
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The Goodman Group Stakeholder Review and 2020 Annual Report (incorporating the consolidated financial reports for Goodman Limited, Goodman Industrial Trust, and Goodman Logistics HK Limited) were dispatched to Securityholders today.

The Reports and covering letter are attached.

The Annual General Meetings for the Goodman Group entities will be held at 10:00am (Sydney time) on Thursday, 19 November 2020. In the interests of health and safety, we are adopting measures to allow securityholders to participate in this year's Annual General Meetings remotely via an online webcast. Details of how to join the webcast will be provided with the Notice of Meetings.

The closing date for the receipt of director nominations for candidates other than those recommended by the Board is 1 October 2020, being at least 35 business days before the Annual General Meetings.

– ENDS –

Authorised for release to the ASX by Carl Bicego, Company Secretary and Group Head of Legal.

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About Goodman

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

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



24 September 2020

Dear Securityholder,

Goodman Group – Stakeholder Review and 2020 Annual Report

It's been an extraordinary year with the global pandemic having a profound impact on the world. The events in the last year have resulted in a fundamental shift in how we live, work and consume. This includes an acceleration of e-commerce, a shift to remote working and a significant increase in demand for technology and big data. The location and quality of our assets means that Goodman is well positioned to leverage the opportunities in this new operating environment.

The Stakeholder Review provides a comprehensive overview of Goodman's global business for our Securityholders, Partners and customers. Our theme this year is a reflection on our past and a look to the decade ahead. Since listing on the Australian Securities Exchange 25 years ago, the Group has grown into a truly global company with approximately 70% of earnings from international markets. We have remained focused on executing our strategy – to own high-quality properties in locations where our customers can be close to consumers. In looking ahead, our focus is on a sustainable business for our customers and investors for the long term. We outline how our 2030 Sustainability Strategy will deliver sustained growth and develop ongoing resilience.

The Annual Report includes the consolidated financial reports for Goodman Limited (being for the entire consolidated Goodman Group), Goodman Industrial Trust and Goodman Logistics (HK) Limited.

Annual General Meetings

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Thank you for your ongoing support.

A handwritten signature in black ink, appearing to read "G Goodman".

Yours sincerely

Gregory Goodman

Group Chief Executive Officer

Goodman Group

Goodman Limited | ABN 69 000 123 071
Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621
as responsible entity of Goodman Industrial Trust | ARSN 091213 839
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1995	2004	2013	2022
1996	2005	2014	2023
1997	2006	2015	2024
1998	2007	2016	2025
1999	2008	2017	2026
2000	2009	2018	2027
2001	2010	2019	2028
2002	2011	2020	2029
2003	2012	2021	2030

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All figures are in AUD and as at 30 June 2020, unless otherwise stated.

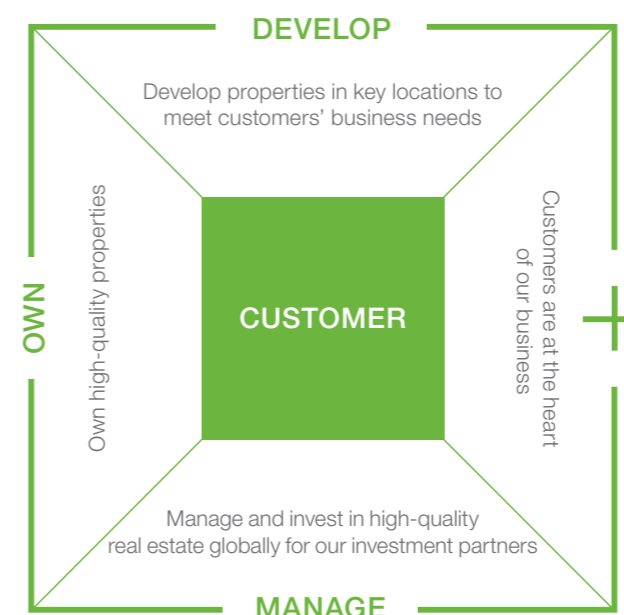
The long game

This year has had its challenges, but the outcome of any year is greater than the 365 days that go into it. Goodman's ability to meet the demands of 2020 has been the direct result of the strategy and insight built into our company over 25 years ago. We were listed on the Australian Securities Exchange in 1995 and since then, our global long-term strategy has seen us expand across Asia Pacific, Europe and the Americas. It has laid the foundations for the sustainable, forward-thinking, business we have today and it will ensure we continue to best service our customers, investors, the planet – and all the people on it – long into the future.

South Sydney, Australia. Home to Goodman's first property investments.



To achieve any kind of greatness, you first have to make space for it.



For more than 25 years, we have been making space for greatness in every aspect of our business. And not just for today. At Goodman, we strive to create solutions that will benefit our customers and deliver sustainable returns for our investors, both now and well into the future.

As global industrial property specialists, we own, develop and manage high-quality properties in strategic locations across Asia Pacific, Europe and the Americas. However, we're conscious it's not just what we do that's important, but how we do it.

Goodman plans for the long term and looks at the big picture. We have the teams, scale, expertise, infrastructure and capital to develop long-term relationships with customers and partners around the world, but we're still flexible enough to adapt to local business needs.

That's why we work closely with all of our customers, people and investment and community partners. As the world evolves, their needs evolve too.

Our own+develop+manage model is built around our customers and their need for unparalleled service and sustainable solutions in strategic locations.

Progress in numbers

Year	1995	2020
Assets under management	\$75.5M	\$51.6B
Cities	1	30
People	8	900+
Properties	8	392
Square metres under management	106K	19.3M
Development work in progress	—	\$6.5B
Partnerships	—	15

1995 figures based on Goodman Hardie
Industrial Property Trust prospectus information.
2020 figures as at 30 June 2020.

Making space for greatness

We don't believe in good.
Or good enough.
We don't believe in the short term or taking short-cuts.
We don't believe in putting business before people.
Or anything before quality.
We believe in great.
Although we don't believe we're quite there yet.
We believe in the importance of location and sustained growth and doing it right the first time.
We believe in having integrity, always.
We believe that knowledge is everything and perfection is in the details.
That it is the little things that add up to make the biggest difference.
That's why there's a plus in our logo.
It's a reminder to keep going above and beyond for our customers, our partners and our people.
To be the best, we believe, relies on every single one of us working together.
To this end, we believe we can be better than good.
We believe we can be great.



A strong finish

Goodman Group's strong result in FY20 came in a year of unprecedented challenges globally that tested the resilience of the business and of our people.

Our financial highlights include:

- + Operating profit of \$1,060.2 million, up 12.5% on FY19
- + Statutory profit of \$1,504.1 million (includes the Group's share of valuation gains, non-cash items and derivative mark-to-market movements)
- + Operating earnings per security of 57.5 cents, up 11.4% on FY19
- + Distribution per stapled security of 30.0 cents, in line with the Group's capital management strategy
- + Gearing at 7.5%, down from 9.7% in FY19
- + Group liquidity of \$2.8 billion available, including \$1.8 billion in cash (excludes \$16.3 billion of equity commitments, cash and undrawn debt in Partnerships)
- + Net tangible assets increased 9.4% to \$5.84 per security.

The following table outlines the security price performance for the last 10 years.

Total Securityholder return relative performance (%)	1 year	3 years	5 years	10 years
Goodman	-0.4	103.4	169.6	566.3
S&P/ASX20	-9.6	15.9	21.4	103.8
S&P/ASX100	-9.5	17.1	31.5	119.0
S&P/ASX200 A-REIT	-8.1	17.1	32.2	142.0
MSCI World REITs	-8.1	8.0	25.5	129.8

Source: Bloomberg/Nasdaq.

Ian Ferrier AM – Independent Chairman





“Goodman’s focus on building strong teams, with deep local expertise, aligned to the Group’s values, as well as to those of our stakeholders, has paid off over the long term.”



A shared culture and ambition

From the properties we invest in, to the relationships we build with our customers and Investment Partners, to the commitment we have for our people – we are focused on fostering long-term relationships with like-minded stakeholders.

Our people are our greatest asset. Developing and maintaining a strong, consistent culture is critical to the Group’s success. I believe Goodman’s heritage has been one of its key strengths. Over 25 years, the Group has grown from its Australian foundations into a truly global company with approximately 70% of earnings from international markets and a consistent company culture that is also adapted to each local market.

Sustainable and successful global expansion and growth over this time can be largely attributable to the Group’s ability, as an Australian company, to assimilate respectfully into local markets, complementing them and integrating the cultures near seamlessly. Goodman’s focus on building strong teams, not only with deep local expertise, but also aligned to the Group’s values, as well as to those of our stakeholders, has paid off over the long term.

Over time, relationships with many of our customers and capital Partners have extended from one market into multiple regions, allowing our shared intellectual property to be leveraged at scale, creating a unique and valuable opportunity for Goodman globally.

Critical to our future success, therefore, is retention of our people. To do this, we foster the right culture and present our teams with ambitious challenges and appropriate rewards. To protect our shared perspective of long-term decision-making, Goodman will remain competitive in remunerating its people and in aligning the interests of our people with our Securityholders.

Board changes

The Goodman Board welcomes Mark G Johnson as an Independent Director of Goodman Limited and Goodman Funds Management Limited, and a member of the Audit Committee.

Mark spent 30 years at PwC where he was CEO from 2008 to 2012. He is currently on a number of listed boards, has extensive experience in the unlisted private sector and in government, education and community organisations.

As previously announced, this is my last year as Chairman; Stephen Johns will succeed me at the Annual General Meetings in November. Stephen joined the Board in 2017 as an Independent Director and Chair of the Audit Committee. Over this time, he has made a valuable contribution to the Board and is very well positioned to succeed me as Chairman. I am confident the Group will continue to prosper under his Chairmanship.

Finally, I would like to thank Greg and his team. It has been a privilege since 2003 to serve on, and then Chair, the Board of Goodman Group. It has been a wonderful journey, I have thoroughly enjoyed my time with the Group and I am delighted to be finishing my tenure with the business in such strong shape.

On behalf of the Board, I sincerely thank our customers and investors for their continued support and all of Goodman's people for their contribution. I wish the Group every continued success in the future.

Thank you,



Ian Ferrier AM
Independent Chairman



The decade ahead



Greg Goodman
– Group CEO

This year has certainly been an extraordinary one with the COVID-19 pandemic continuing to have a profound impact around the world. Throughout this time, Goodman has remained focused on executing its strategy – to own high-quality properties in locations where our customers can be close to consumers. Though it has been refined since, this is essentially the strategy Goodman launched 25 years ago when we listed on the Australian Securities Exchange.

Few knew then how strongly industrial property would factor into the wider economy, yet our business has continued to prove its relevance and resilience. That is true of 2020, too, when alongside our customers and the logistics and warehousing sector globally, Goodman has played an important role in delivering and distributing critical supplies and consumer goods by providing the essential infrastructure needed to do so.

Our long-term strategy continues to leverage the structural and behavioural trends that, even before 2020, were fundamentally changing how we live, work and consume. During the year, those trends accelerated with e-commerce increasing, many people moving to remote work arrangements and rising demand for technology and big data.

For these broader societal reasons, as well as the location and quality of our property assets, and the deep expertise of our people, Goodman is well positioned to leverage the opportunities of the decade ahead. As always, we are looking to the future.



Artist's impression of Goodman Westlink, Hong Kong SAR, China.

Growth fuelled by customer demand

Goodman adapted to the new operating environment with limited disruptions and the business continued its long-term growth, while supporting our customers who were experiencing financial distress as a result of the pandemic. Over the past decade, the Group has developed significant expertise, financial resources and a well-located property portfolio to sustain it through various market conditions. These strong foundations were evident in our FY20 results with operating performance ahead of guidance.

Customer demand for strategically located space in our \$51.6 billion portfolio increased during the year. Occupancy remained high and rental growth was steady across several industry segments, particularly those involved in consumer staples, e-commerce and data storage.

This strong customer demand is positively impacting our development business, where work in progress has increased 59% on last year, to \$6.5 billion, and is forecast to exceed \$7 billion in the first half of FY21.

Increased development activity is flowing through to our external assets under management too, which were up 12%. We now manage \$48 billion on behalf of our capital Partners and delivered total average returns of 16.6% to them with strong income and capital growth. Throughout, Goodman remains well capitalised with total available liquidity of \$19.1 billion across the Group and Partnerships, and the Group further reduced its gearing to 7.5% at the end of FY20.

Increasing commitments

In this changing global landscape, we are significantly increasing the commitments, contributions and targets within our 2030 Sustainability Strategy. One notable example is increasing our target from 100 megawatts (MW) to 400 megawatts (MW) of solar capacity installed on our rooftops globally by 2025.

Meanwhile, in response to the recent Australian bushfires and the ongoing global pandemic, Goodman increased both its financial and non-financial support through the Goodman Foundation to \$13.7 million, to make a greater tangible difference to those who need it most.





Goodman Business Park, Greater Tokyo, Japan.

“The signs are that increased e-commerce adoption and the need for more data storage are here to stay.”

Fast-tracking trends

Prior to the pandemic, consumers were expecting more convenience with each passing year and technology use was rising. Both trends spiked when the pandemic hit and what was predicted to happen in five years is happening today. The signs are that increased e-commerce adoption and the need for more data storage are here to stay.

As such, Goodman is keeping a watchful eye on emerging trends that are showing earlier-than-expected signs of adoption. These include technologies that aid a more personalised shopping experience such as artificial intelligence, big data and the Internet of Things. We are also observing the rise of subscription services and of omnichannel retail, where physical and online sales are integrated.

While it seems likely these trends will impact our customers, a big lesson of this year is that not everything is possible to predict. We do know, however, that whatever trends come to fruition, our customers will need high-quality and sustainable properties, close to consumers, in order to leverage them. These properties will need to accommodate future technology investments, such as robotics and automation, and they will need to support the health and well-being of the people working there. All of these continue to be Goodman priorities.

Forward thinking

This year, more than ever, I am very proud of how the Goodman team stayed focused on delivering for our stakeholders around the world. I thank our people for their adaptability, hard work and resilience. I'd also like to thank our customers, capital Partners and investors for their ongoing commitment and support. I'd especially like to thank Ian Ferrier for his stewardship as both a Board member and Chair. He has made a tremendous contribution to our business over the years and we wish him well for the future.

No one could have predicted the year we've had. Yet as a business, we were fortunate enough to be in a position to manage it. Over the past 10 years, Goodman has been steadily laying the foundations for the decade ahead – this is how we've always worked. Committing to the long term has put us in the strong position we are in today and it is what will allow us to keep building on our future successes.

Sincerely,



Greg Goodman
Group Chief Executive Officer



FY21 Forecast

Operating profit
\$1,165m
up 10% on FY20

Operating earnings per security
62.7 cents
up 9% on FY20

Distribution per security
30 cents

Next level

Goodman delivered a strong FY20 result. While the pandemic brought some challenges, it also accelerated key societal changes that are well aligned with Goodman's existing direction and that of our customers. During the year, customer demand for our well-located industrial properties translated into more development activity, high occupancy, rental growth, increased assets under management and, ultimately, strong returns across our property investment and management businesses.



Goodman Business Park, Greater Tokyo, Japan.

Own

A focus on infill locations

Customer demand for space in Goodman’s strategic locations continued to grow due to the ongoing structural changes brought about by changes in consumer behaviour. These changes accelerated during the pandemic, as logistics and warehousing provided critical infrastructure for distribution of essential goods, and more consumers shifted to online shopping.

Over the medium to longer term, we expect significant opportunities to arise through planning outcomes across our \$51.6 billion portfolio. This should facilitate redevelopment of higher intensity multi-storey logistics facilities and data centres as well as change of use into residential zoning. We are continually progressing these opportunities through various planning stages.

Property investment highlights include:

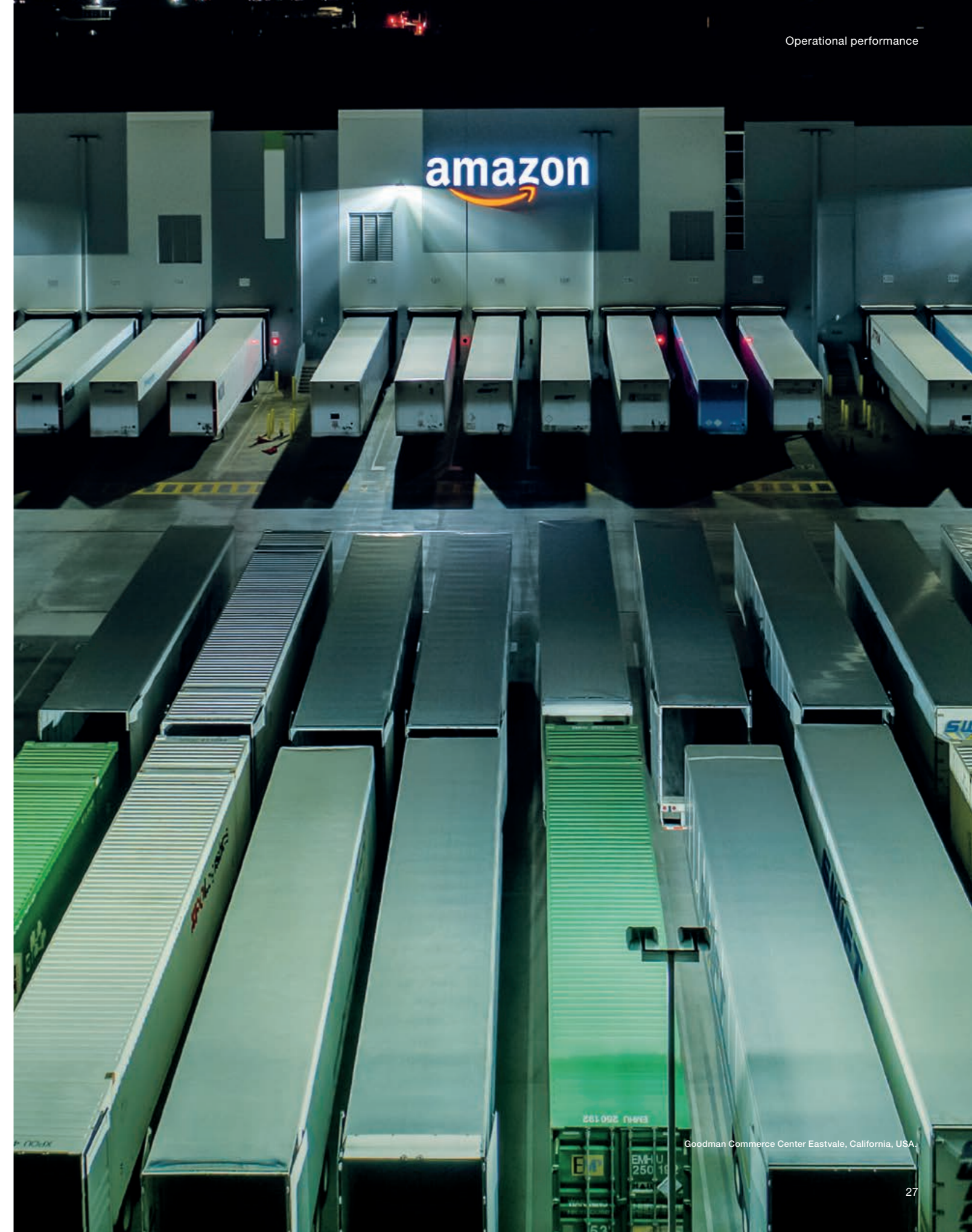
- + High occupancy maintained at 97.5% and weighted average lease expiry of 4.5 years
- + 3.0 million sqm leased, equating to \$401.7 million of annual rental property income across the Group and Partnerships
- + Like-for-like net property income growth of 3.0%*

With more than 1,700 customers, Goodman has a diverse range of global and local customers across industries including e-commerce, logistics, retail, consumer goods, automotive, pharmaceutical and technology.

Top 20 global customers (by net income – look through basis)

1 Amazon	7.2%
2 Deutsche Post (DHL)	2.3%
3 A.P. Moller – Maersk	1.7%
4 Japan Post (Toll)	1.6%
5 Kimberly-Clark Corporation	1.3%
6 SF Express	1.3%
7 Iron Mountain	1.1%
8 Georgia-Pacific	1.1%
9 BMW Group	1.1%
10 JD.com	1.0%
11 DB Schenker	1.0%
12 Equinix	0.9%
13 Kuehne + Nagel	0.8%
14 syncreon	0.7%
15 OMLog	0.7%
16 Coca-Cola Amatil	0.7%
17 Linfox	0.7%
18 IVE Group	0.6%
19 Coles Group	0.6%
20 Mainfreight	0.6%

* Excludes net property income from directly held assets.



Goodman Commerce Center Eastvale, California, USA.

Artist's impression of Purfleet Commercial Park, London, UK.



Develop



Artist's impression of Amazon development at Oakdale West Industrial Estate, Sydney, Australia.

Strong growth in workbook to \$6.5 billion

Development activity has been a clear driver of this year's strong results. Our work in progress reached \$6.5 billion and we expect it to exceed \$7 billion in the first half of FY21.

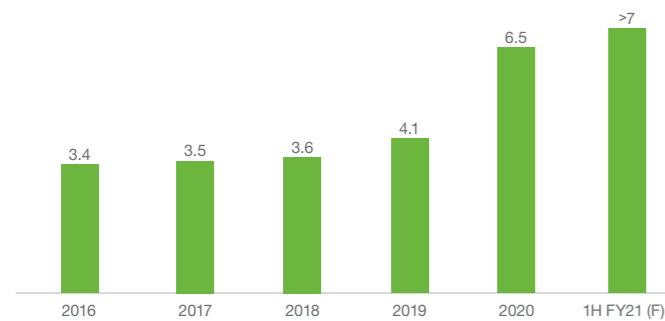
We have seen solid margins and pre-leasing activity, while the average lease term of 15.1 years is the longest it's ever been. We expect these longer leases to continue, as customers choose higher value infill locations and invest more in technology at their facilities.

Our development projects have increased in both scale and value, with the average time for developments in progress increasing to about 17 months. This gives greater visibility over development activities going forward.

Other development highlights include:

- + Globally diversified workbook across 46 projects with a forecast yield on cost of 6.5%
- + Commencing \$4.5 billion in new developments with 79% pre-leased
- + Completing development projects worth \$2.4 billion with 85% leased.

Work in progress (\$bn)



Artist's impression of Crossways Commercial Park, Dartford, UK.



Artist's impression of DSV development at Goodman Molins de Rei Logistics Centre, Barcelona, Spain.



Manage

Development completions and higher valuations drive strong performance

Goodman delivered average total returns of 16.6% to our capital Partners in their respective financial years, continuing the trend of the last five years for double digit returns.

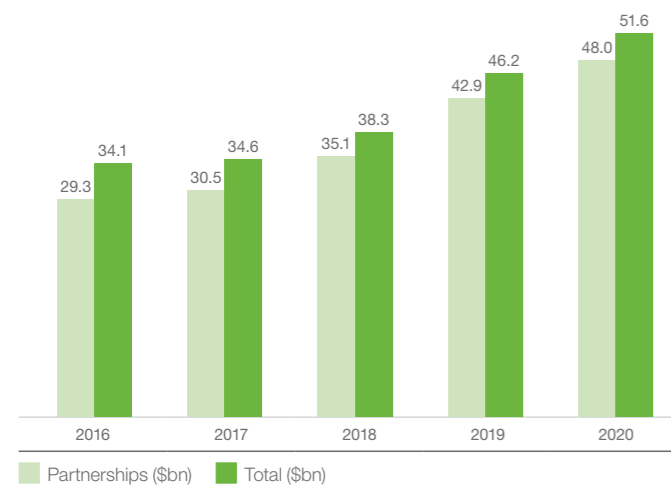
External assets under management grew 12% over FY20 to \$48 billion due to development completions and valuation gains resulting from cap rate compression. The impact of COVID-19 further increased demand for industrial and logistics assets, continuing to generate positive revaluations, which grew by \$2.9 billion this year.

The Group has invested more than \$1.1 billion in its Partnerships over the last two years, including \$0.3 billion in FY20. This was mainly to fund development opportunities, as well as incremental acquisitions of properties with redevelopment opportunities over the longer term.

Other management highlights include:

- + Management earnings up 9%, enhanced by the positive performance of the Partnerships
- + Average Partnership gearing of 19.9%
- + Weighted average cap rate compression of 23bps to 4.9% over the year
- + \$16.3 billion available in equity commitments*, cash and debt.

Assets under management



* Partnership investments are subject to Investment Committee approval.

Goodman Logistics Center El Monte, California, USA.



Augsburg I Logistics Centre, Munich, Germany.

Strategy in place

While Goodman's business has evolved over time, our fundamental strategy has remained the same – to own high-quality properties in strategic locations for our customers. We're continuously building a sustainable business for the long term. We've grown from one industrial building in South Sydney, Australia, purchased for less than \$20 million in the mid 1980s, to 392 properties in five regions across the world, worth more than \$51 billion. Sustainability is consistently executed in all our regions, however each region emphasises different aspects to best suit its local market.



The Americas

\$4.6bn
AUM
22
Properties

Europe

\$9.2bn
AUM
138
Properties

Asia

\$18.6bn
AUM
64
Properties

Australia

\$16.3bn
AUM
157
Properties

New Zealand

\$2.9bn
AUM
11
Properties

Our global network

\$51.6bn
AUM
392
Properties
As at 30 June 2020



Oakdale Industrial Estate, Sydney, Australia.

Long-term customer relationships

As Australia's longest-running, listed industrial property company, Goodman has been fortunate to work with some customers for decades. Iron Mountain – with us since 1992 – remains in its original, albeit upgraded property, while also growing its footprint with us across multiple facilities. Other long-term customers have also moved within our portfolio as their businesses have grown and their needs have changed, including Metcash (1998), Visy (1998), DHL (1998), Toll (1999), Linfox (2002), Coles (2007) and Woolworths (2008).



Artist's impression of Coles development at Oakdale West Industrial Estate, Sydney, Australia.

Australia

Goodman Group began in Australia where our sustainability is founded on our long-term relationships with customers and stakeholders. Some of these well-established customer relationships across a range of industries have been flourishing for more than 20 years and have since expanded overseas.

Yet it's the strength of these relationships that are most important to us. We work continuously to improve our service, delivery and communications to help our customers drive greater efficiencies out of their properties. This extends to our sustainability program.

Date of establishment	1986
Listed on the ASX	1995
AUM	\$16.3bn
Properties	157
Space under management	5.8m sqm
WIP	\$1.6bn
Managed Partnerships	4
Occupancy	96.1%

Communicating customer insights

Clear and ongoing communication with our customers is a core part of how we operate. We conduct regular customer insight meetings to provide our customers with the information they need to not only track their spending and plan their budgets, but to help them communicate with their people and plan for the future. We discuss what's happening in their property, their local area and their industry. We also ask practical questions like "What more can Goodman do to lower your operating costs?" and "How can we help?"



Helping our customers grow

Our customers want the most efficient supply chains possible and to be close to their customers. With 5.8 million sqm across our portfolio and the capacity to develop more, Goodman is in an excellent position to find the facility to suit our customers' changing needs. Approximately 75% of our development customers are from our existing customer base – evidence they appreciate Goodman's quality product and service.

Oakdale Industrial Estate, Sydney, Australia.



Sustainability program

Reducing our environmental impact is vital to both Goodman and our customers. We take a practical approach that manages natural resources as the valuable assets they are, meeting both our customers' commercial and environmental needs. Our sustainability program currently includes the management of 17,460 trees across the portfolio (around the same number of trees as New York's Central Park), installation of 13MW of solar energy (enough to power 3,900 homes) and smart irrigation systems installed across 65 sites saving 40 million litres of water since 1 January 2020 – the equivalent of 16 Olympic swimming pools.

Highbrook Business Park, Auckland, New Zealand.



Sustainable business strategy

Goodman in New Zealand has an investment strategy focused on the Auckland industrial market. It provides customers with high-quality business premises, close to major transport networks in New Zealand's largest consumer market. With demographic changes and consumer behaviour driving the growth in online retail, customer demand for well-located facilities, close to consumers, exceeds supply in many locations across Auckland.

New Zealand

As Goodman's only listed entity outside Australia, Goodman Property Trust works to deliver sustainable returns for not only its unitholders, but also customers, people and the community.

Our New Zealand team believes in long-term thinking and leading by example – a business strategy that delivers positive economic, environmental and social outcomes for all its stakeholders.

Date of establishment	2003
AUM	\$2.9bn
Properties	11
Space under management	1.1m sqm
WIP	\$87m
Managed Partnerships	1
Occupancy	99.6%



Highbrook Business Park, Auckland, New Zealand.

Long-term partnership with KiwiHarvest

Since 2012, KiwiHarvest has collected and redistributed 4.1 million kgs of food, the equivalent of 10.5 million meals. It's an exceptional achievement only made possible through the food contributions of over 250 donors and the collective efforts of more than 300 volunteers and staff. The Goodman Foundation was an early supporter, facilitating KiwiHarvest's expansion into Auckland in 2017 and its recent move to larger premises at Goodman's Highbrook Business Park in 2019.

Feeding NZ through the New Zealand Food Network

Amplifying our work in reducing hunger, food waste and landfill, Goodman has helped establish the New Zealand Food Network (NZFN). NZFN collects quality surplus and donated bulk food from producers, growers and wholesalers, then stores and distributes it to food rescue organisations, iwi* and charities across New Zealand from its Auckland warehouse. While two years in the making, the launch was expedited to help meet the increased demand caused by COVID-19.

* iwi is a Maori term referring to extended kinship groups or tribes.

Managing properties efficiently

Our ability to manage our assets over their lifecycle improves their long-term environmental and financial performance. Ongoing energy and waste monitoring across the portfolio allows us to benchmark our assets against best-practice industry standards. Energy consumption in FY20 was 74% less than in FY15 and continues a five-year trend of falling emissions. New energy efficiency initiatives, HVAC and building management system upgrades along with divestments of office assets have all contributed to the reduction.



M20 Business Park, Auckland, New Zealand.



Goodman Business Park, Greater Tokyo, Japan.

High-quality properties

Goodman Business Park in Greater Tokyo, Japan, approached its design with innovative, contemporary flair. This multi-stage project leads the way in its aesthetic, its customer amenities and its sustainability features. The façade on Stage 4 of the park, known as a tensile façade, is a new style of architecture for logistics spaces. Not only aesthetically pleasing, it is also sustainable, allowing more natural light to flow with less glare – providing solar protection and energy savings. This complements the rooftop solar panels and other sustainability initiatives, which add to its impressive environmental credentials. All Goodman properties in Japan are designed and certified to Comprehensive Assessment System for Built Environment Efficiency (CASBEE) standards.

World-leading amenities

The Rambler, located at Goodman Interlink in Hong Kong SAR, is a refreshing space for our customers, their employees and their guests to socialise and recharge. It is equipped with modern facilities, digital kiosks, dining areas, a 24-hour pantry and healthy menu choices. Sustainability is central too; food waste is avoided with surplus food donated to charity organisation Food Angel, which redistributes to underprivileged local communities.

Close to consumer concentrations

With access to more than 1.5 billion consumers with a purchasing power of \$US9.2 trillion, it is crucial that Goodman's Asian-based customers are in the most urban areas, close to consumers. Our properties are in the tier 1 cities of Beijing, Shanghai, Chengdu, Hong Kong, Guangzhou, Tokyo and Osaka – cities with the largest populations that are leveraging the latest consumer and technology trends and driving the sustainable growth of our business.



Asia

Goodman's business in Asia spans Mainland China, Hong Kong SAR and Japan. Our long-term strategy emphasises the importance of locations, maintaining growth sustainably and making safety a priority.

Our properties in Asia are designed to suit our customers' needs in land-constrained environments. They have high-quality amenities to promote health and happiness and are designed with a sustainable focus.

Date of establishment	2006
AUM	\$18.6bn
Properties	64
Space under management	5.7m sqm
WIP	\$3.3bn
Managed Partnerships	5
Occupancy	98.3%

The Rambler, Goodman Interlink, Hong Kong SAR, China.



Industry-leading safety program

With safety a priority across Goodman's operations, our business in Asia is focusing on bringing our global safety standards to the region, constantly seeking innovation from development projects through to building maintenance. For example, roof height safety systems have been installed across Mainland China, Hong Kong SAR and Japan to help safeguard the well-being of maintenance teams and prevent falls while cleaning or during maintenance inspections.

Environmental initiatives

To increase the sustainability and biodiversity of our properties, we provide customers with environmental and well-being initiatives. These include 5.6MW of solar installed across the European portfolio, installing electric vehicle charging stations at all new developments, and landscaping tailored to local conditions with a focus on native plants, beehives and wildflowers. Our buildings are designed to sustainable building certification standards so we can verify their quality and green credentials with a minimum level of BREEAM Very Good or equivalent.

Mönchengladbach IV Logistics Centre, Mönchengladbach, Germany.



Regensburg I Logistics Centre, Regensburg, Germany.

Europe/UK

Sustainability is integrated into our European business strategy and our portfolio is strategically located around the major consumer markets of Germany, France, Italy, Spain, Benelux and the UK. Designed, built and managed to last, these properties look to integrate with the environment and the communities they're in, while also incorporating the kinds of contemporary amenities our customers seek.

We're transitioning Europe to net zero carbon emissions in our own office spaces as well as helping our customers manage their own sustainability goals.

Date of establishment	2006
AUM	\$9.2 billion
Properties	138
Space under management	5.1m sqm
WIP	\$759m
Managed Partnerships	3
Occupancy	97.3%

Promoting health and well-being

To help our customers attract the right people and enable them to be as productive as possible, our modern warehouses increasingly prioritise their health and well-being at work. Our developments have standard features such as minimum natural light, solar glare control, acoustic walls, covered bicycle parking and outdoor social areas for breaks. We also offer running tracks, vegetable gardens, outdoor fitness facilities and cafés.

Giving new life to old sites

To maintain our concentration of strategic locations, Goodman commonly transforms older sites into modern spaces. This is known as a 'brownfield development' – as opposed to building on a new site – known as a 'greenfield' site. More than 50% of our developments since 2015 have been brownfield sites, placing our customers closer to their customers and improving their supply chain efficiency and last mile delivery. While these projects can be challenging, they lead to environmentally friendly and visually attractive sites that often benefit the broader community too.



Bedford Commercial Park, Bedford, United Kingdom.

Goodman Energy Tracker roll out

To help our customers proactively measure and optimise their energy consumption, our European portfolio is being equipped with Goodman Energy Trackers. These smart meters measure electricity, gas and water usage, and the visibility helps our customers to manage costs, complete their environmental reporting more easily and encourage behavioural change. Currently, 25% of the European portfolio is connected to the Goodman Energy Tracker with more being rolled out over the next year.



Nijmegen II Logistics Centre, Nijmegen, The Netherlands.



Regenerating and adding value

In the United States, we have successfully acquired, upgraded and repurposed buildings that meet our customers' modern requirements. By retrofitting existing warehouses, we are prolonging their lifecycle and reusing existing materials, which reduces construction waste, consumption and regenerates local areas with upgraded façades and amenities.

The Americas

In the Americas, Goodman's global gateway city strategy spans the major consumer markets of Los Angeles, New York, New Jersey and São Paulo. Our growth is prudent and organic.

We align our properties' location with our customers' future direction, so together we can leverage structural and societal changes, such as the growth of e-commerce.

This delivers sustainable outcomes for our customers, while protecting and enhancing the long-term value of our assets for our investors.

Date of establishment	2012
AUM	\$4.6 bn
Properties	22
Space under management	1.6m sqm
WIP	\$731m
Managed Partnerships	2
Occupancy	99.4%

Holistic community partnerships

A great example of working closely with local communities is our long-standing partnership with Second Harvest Food Bank of Orange County, which works to fight hunger. We provide in-kind support, with senior Goodman people on the organisation's board, while other Goodman people volunteer to prep and distribute food. We also supply cash grants to fund innovative concepts too, such as 'Park-It Market' (a market on wheels for seniors) and a COVID-19 drive through, where people could collect groceries contact-free. Our most recent donation resulted in 420,000 meals for those in need in their local community.



Goodman Industrial Center Anaheim, California, USA.



Strategic acquisitions

Key to our strategy in the Americas is to concentrate on the markets we believe will deliver over the long term. So, despite the size and scale of the region, we are growing our business incrementally as we focus specifically on strategic site selection. Our portfolio is located close to large consumer populations, where land is scarce and barriers to entry are high. Securing these sites allows us to support our customers' current and future growth.

Towards a greener future

We are increasing our green credentials across our property portfolio in the Americas. Our tangible measures focus on reduced energy consumption and include upgrading to LED lighting, and transitioning to more renewable energy through the installation of solar panels. We're investing in initiatives such as drought tolerant landscaping in the US and tree audits and management in Brazil. And we're working with customers to reduce waste too, with 50% of the waste in our Brazilian properties diverted to recycling.



Artist's impression of Goodman Cajamar 1, São Paulo, Brazil.

2030 in the making

At Goodman we're focused on building a sustainable business for the long term. One that benefits our customers and delivers returns for our investors. Our 2030 Sustainability Strategy is one of the measures we hold ourselves accountable to. It influences long-term outcomes across the Environmental, Social and Governance (ESG) spectrum.

And it supports Goodman and its stakeholders deliver sustained growth and develop ongoing resilience. At Goodman, we believe it's important to aim high. In FY20, we accelerated our commitments to renewable energy and carbon neutrality, and we improved the resilience of our workforce, business, properties and communities.

Our targets are deliberately ambitious. We know continuing to achieve them won't be easy, but we also know if they were anything less, we wouldn't be aiming high enough.

2020 Highlights

In FY20 Goodman:

01.
Was awarded Global Sector Leader in the 2019 Global Real Estate Sustainability Benchmark (GRESB) Sector Leader award in the Industrial – Developer category

02.
Completed a global climate risk assessment in accordance with recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)

03.
Has approximately 50MW of solar PV installed on rooftops across the global portfolio

04.
Increased our target from 100MW to 400MW of solar PV capacity installed by 2025

05.
Further entrenched design initiatives in our global development specifications such as solar PV, electric vehicle charging points, LED lighting and drought tolerant landscaping

06.
Completed certified developments in Europe, the UK, Australia, Japan, China and the United States

07.
Continued major water-saving initiatives at our Australian properties, reducing consumption by about 60%

08.
Reduced energy use by approximately 15% across the Australian office portfolio

09.
Contributed \$13.7 million to community and philanthropic causes with a focus on disaster relief, particularly the Australian bushfires and COVID-19

10.
Increased efforts to minimise the risk of modern slavery potentially occurring in our supply chains.



2030 Sustainability Strategy

Goodman's 2030 Sustainability Strategy provides a clear direction for the next decade. Led by this strategy, we are well positioned to transition into a truly sustainable, resilient and low-carbon business.

The strategy focuses on our people and culture, how we engage with our stakeholders and how we remain a trusted partner in the broader community. It influences our property locations as well as how they:

- + Are built, powered, operated and respond to the changing climate
- + Interact with the surrounding community
- + Support our customers' well-being.

Accelerating progress

As the global landscape changes, so must we. Goodman's 2030 Sustainability Strategy increases our commitments and accelerates our progress with clearly defined targets to hold ourselves accountable, under three pillars.

Notably, by 2025, our aim is to have 400MW of solar PV capacity installed on Goodman's properties – up substantially from our previous commitment of 100MW. This will be achieved primarily through solar investments, generating enough energy to power about 120,000 houses for a year. In addition, our aim by 2025 is to be using 100% renewable energy and be carbon neutral.

Looking back to the year that was, the Group has also:

- + Increased both financial and non-financial support through the Goodman Foundation to \$13.7 million. This is focusing on disaster relief, particularly from the impact of the Australian bushfires and COVID-19
- + Completed our global climate risk assessment in accordance with TCFD recommendations two years ahead of our target.

The strategy is structured around three pillars.



Sustainable properties

Our sustainably designed, energy-efficient and professionally managed properties are strategically located to meet the business, health and well-being needs of our customers, and to remain resilient to tomorrow's global challenges.



People and culture

Our workplaces promote the health, safety and well-being of our people and our customers. Our people are recruited and rewarded based on their commitment to our values, their local expertise and their long-term strategic and ethical thinking.



Corporate performance

Our capital structure is sustainable and we have a positive impact in our global communities through the Goodman Foundation. We promote strong leadership and governance, engage regularly with our stakeholders and measure and disclose our financial and community impact.

Backed by targets that address material issues

Goodman has always practiced long-term thinking. Our sustainability targets therefore consider material issues that will continue to shape Goodman as a resilient and sustainable business. During the year, Goodman focused on the material ESG issues that are fundamental to building its long-term value and sustainable performance. Our targets reflect our company principles as well as input from our stakeholders.

Addressing the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) act as a universal call to action to address the world's most significant challenges including climate change, poverty, gender equality and good health and well-being for all. During the year, Goodman continued to be guided by nine of the 17 SDGs, which were identified as most material to our global business, customers and charity partners.

03 Good health and well-being

05 Gender equality

07 Affordable and clean energy

08 Decent work and economic growth

09 Industry, innovation and infrastructure

11 Sustainable cities and communities

12 Responsible consumption and production

13 Climate action

15 Life on land



Australia Post, Redbank Motorway Estate, Brisbane, Australia.

Features 1MW of solar installed across the 50,000 sqm roof (3,244 solar panels) – enough to power a small suburb for a year. The building also includes rainwater harvesting, drought tolerant landscaping, LED lighting and translucent roof sheeting to enhance natural light.

Sustainable properties

Increasingly, Goodman's sustainable properties have innovative features that improve energy efficiency, performance and the well-being of our customers.

As a key partner in our customers' supply chain, we know the value of strategically located properties. We prioritise accessibility, efficiency and functionality in properties that can adapt to a range of uses and are designed with climate resilience top of mind.

We build long-term relationships with our customers and pride ourselves on maintaining high retention and occupancy rates.

Material issues

Sustainable design and management

Strategic locations

Customer attraction and retention

Climate risk and resilience

Carbon reduction strategies

Smart energy solutions

Flexible and adaptable properties.



Target	Progress
400MW of solar PV capacity in operation by 2025	<p>Increased our target of 100MW of solar PV installed on our rooftops by 2025 to 400MW</p> <p>Currently, there is approximately 50MW installed and operating globally</p> <p>Completed new installations in Australia, China and Europe with several more planned</p> <p>● ● ○ ○ ○</p>
100% renewable energy use within our operations by 2025	<p>Continued investments in solar PV to provide renewable energy at our properties</p> <p>Significant current use of renewable energy in UK, Europe and New Zealand</p> <p>Looking at ways to supplement our transition to renewable energy through renewable power purchase agreements</p> <p>● ● ○ ○ ○</p>
Carbon neutral operations by 2025	<p>Approximately 15% energy reduction across the Australian office portfolio</p> <p>Further investment in onsite solar energy and other efficiency projects</p> <p>Investigating ways to offset residual carbon to achieve carbon neutral day-to-day operations (excluding development activities)</p> <p>● ● ○ ○ ○</p>
Maintain >95% overall occupancy rate	<p>Achieved a 97.5% occupancy rate.</p> <p>● ● ● ● ●</p>

Our specifications differ across our global regions but common sustainability features in our developments include:

- + Strategic site selection close to infrastructure, consumers and transport
- + Integrated energy-efficient design including automated LED lighting
- + Electrical sub-metering for performance monitoring and measurement
- + Solar PV on rooftops to generate clean energy
- + Increasing installations of charging points for electric vehicles
- + Water conservation including rainwater harvesting and drought tolerant/native landscaping
- + Use of low volatile organic compound materials
- + Facilities that support good health such as bicycle storage, fitness equipment and change rooms.



Goodman Business Park, Greater Tokyo, Japan.

People and culture

Goodman's highest priority during this challenging year was to support our people and our stakeholders.

Fortunately, our corporate culture and values helped bond our teams around the world, while our agile working platform enabled us to adapt to the new working arrangements made necessary by the COVID-19 pandemic.

Our commitment to well-being and long-term thinking extends beyond just our people. Increasingly, developments across our portfolio feature well-being initiatives that benefit our customers too. These include health and recreation facilities, high-quality breakout spaces and, where possible, services like gymnasiums and cafés.

Goodman strives for a safe work culture with zero onsite fatalities across our global operations. We are working on gender equality in senior executive roles and prioritising human rights and business ethics in our supply chain.



Material issues

- Workplace safety
- Group and regional leadership
- ESG performance targets
- Diversity and inclusiveness
- Promotion of the Goodman values
- Social equity
- Customer well-being.

Target	Progress
Safe working environment	<p>Implemented a safety framework across Goodman's operations</p> <p>Prioritised minimum safety standards and management of critical risk controls</p> <p>Rolled out safety training and contractor management procedures.</p> <p>Unfortunately in FY20, a delivery driver suffered fatal injuries while unloading his truck at a Goodman property in Chongqing, China and a person suffered a seizure while working from height on a principal contractor-controlled development site in Australia and later died</p> <p>● ● ○ ○ ○</p>
Global supply chain ethics policy	<p>Commenced a modern slavery evaluation process in Australia and drafted Goodman's modern slavery statement</p> <p>Commenced the expansion of the business ethics program</p> <p>Completed a supply chain review in Australia with a focus on high-risk sectors</p> <p>● ● ○ ○ ○</p>
Gender ratio of 50/50, with 40% female senior executives	<p>Assessed current gender ratio at 43% female and 57% male, with 23% female senior executives</p> <p>● ● ● ○ ○</p>
100% of employees assessed as demonstrating Goodman's values	<p>Implemented a process to monitor how well Goodman's people are meeting Goodman's values</p> <p>In August 2020, 98% of Goodman employees were assessed as 'demonstrating' or 'exceeding' Goodman's values.</p> <p>● ● ● ● ○</p>



Goodman's values and our corporate culture

Goodman's values shape our culture and enable us to attract high-calibre people. They ensure we are united in providing our customers and investors with high-quality service as well as innovative and sustainable property and investment solutions. Our values are global and very much alive wherever we operate.

customer+focus

Be closer to our customers' world and their changing needs

innovative+dynamic

Be more creative in our thinking and dynamic in our actions

open+fair

Be adaptable and considerate in our dealings inside and outside our business

performance+drive

Do what we say we'll do and make things happen

team+respect

Recognise the worth in each other and collaborate for better results.

Corporate performance

Goodman's global success in the industrial real estate sector is founded on our capabilities and expertise, as well as our robust governance structures. Everyone at Goodman plays a role in how we sustain our high-performing operations, capital sources and creditworthiness.

We engage regularly with our key stakeholders and disclose our ESG performance to maintain the trust of our capital partners and customers. Meanwhile, our financial resilience means we can continue to increase the tangible difference we are making to the lives of vulnerable people through the Goodman Foundation. GRESB is the leading ESG survey for the real estate sector and is one of the main methods Goodman uses to communicate its performance on ESG matters. The benchmark analyses and scores a wide range of ESG indicators and provides detailed insights to investors. In 2019, Goodman Group was awarded Global Sector Leader in the Industrial – Developer category.



Material issues

- Sustainable operations and results

- ESG performance

- Responsible investment

- Environmental stewardship

- Sustainable capital structure

- Stakeholder and community engagement

- Effective and regular disclosures.

Target	Progress
Retain investment grade credit rating	Continued to meet financial targets to underpin capital sources and retain credit rating Maintained credit rating at BBB+ (S&P) and Baa1 (Moody's) ● ● ● ● ●
Adopt the TCFD guidelines for climate risk assessment and disclosure by 2022	Committed to adopting the TCFD framework Determined that the Risk and Compliance Committee will oversee Goodman's climate risk management and alignment with TCFD Continued working towards completing our first TCFD aligned statement in 2020 – two years ahead of our target ● ● ● ● ●
4 Star Green Star GRESB rating average	Submitted GRESB responses for eight Goodman entities with results due in the second half of 2020 Achieved strong results in the 2019 GRESB survey including: + Goodman Group awarded the Global Sector Leader in the Developer Industrial peer group achieving 5 Star Green Star status and an 'A' for public disclosure + Goodman Japan Core Partnership awarded Sector Leader for its peer group, for the second consecutive year, improving its previous score by 15% + Three of the eight participating entities achieved GRESB's top rating of 5 Green Stars ● ● ● ● ○
\$50m in social investment by the Goodman Foundation by 2030	Contributed \$13.7m to community and philanthropic causes including \$6.5m to relief, recovery and firefighting efforts related to bushfires in Australia. ● ● ● ● ○

Managing climate risk – TCFD disclosures

Goodman knows its properties are exposed to the impacts of various climatic conditions across its diverse operating regions. We acknowledge that tragic events such as the recent bushfires in Australia are linked to a changing climate and similar events are likely in the future. During the year, Goodman worked with environmental consultant South Pole to complete a comprehensive climate risk assessment in accordance with TCFD guidelines. We did this to better understand the potential impacts of various climate scenarios, to find opportunities to mitigate long-term impacts and, ultimately, to influence the location, design and management of Goodman's properties. Quantifying climate risks across multiple global regions is a challenge, particularly on larger continents that are subject to various conditions and incidents at the same time. However, we identified the following climate hazards in our climate risk assessment, based on different scenarios of carbon mitigation over different timeframes:

More information on Goodman's approach to managing climate risk will be available in Goodman's TCFD statement published in late 2020 at goodman.com/sustainability.

- + Increasing temperatures and heatwaves
- + Intense precipitation
- + Hailstorms
- + Tropical and ex-tropical windstorms
- + Rising sea levels.



Goodman Boluo Logistics Park, Guangzhou, China.

Further together

The Goodman Foundation unites our people, properties and resources to make a tangible difference to the lives of people in our communities. Through our partnerships with an exceptional group of charities, we're able to make a real difference, where and when it matters most. In this extraordinary year, with the Australian bushfires and the COVID-19 pandemic, the demand for the services of many of our partners intensified. The financial strength of the Group, however, meant the Foundation was well positioned to commit to an increased effort, with a focus on critical areas in times of disaster – mental health, distribution of food and essential goods, vulnerable people and domestic violence.

How we help

The Goodman Foundation offers support to charities within three key areas: Children and youth, Community and community health and Food rescue and environment.

Support can take the form of:

Cash grants

Provided to fund identified projects or needs over one to three years

Do good

Goodman team volunteering or fundraising for charities

Give back

Workplace giving schemes that match staff contributions dollar for dollar

In-kind

Donating our expertise, warehouse space or other critical items.

Doing good in the world

Community and community health

Goodman Foundation

Children and youth

Food rescue and environment

Die Arche, Germany.

Children and youth

We work with charity organisations that help to protect and support children or young people around the world.

Auckland Starship Hospital / Bestest Foundation / Clontarf Foundation / Duffy Books in Homes / Eagle RAPS / El Monte Promise Foundation / Giant Steps / Great Potentials Foundation / Keystone Trust / Kids Cancer Project / Kids Under Cover / Little Boomers Basketball / Little Olive Child Foundation / Middlemore Foundation / Property Industry Foundation / Raise Foundation / Smith Family / SOS Children's Villages / Stepping Stone House / The Helmsman Project / The Shepherd Centre / Yalari / Youngcare.



Little Olive Child Foundation, Japan.

Community and community health

We work with charity organisations that support people living with a condition, illness or disability, or whose efforts create a more inclusive and equitable community.

Australian Cancer Research Institute / Black Dog Institute / BlazeAid / Canterbury Brain Collective / Cerebral Palsy Alliance / Die Arche Germany / Fight MND / Friends & Helpers Foundation / Greenway / Humpty Dumpty Foundation / Infirmiers de Rue / Interplast Australia / Long Beach Community Foundation / MS Australia / NSW Farmers Natural Disaster Relief Fund / NSW Rural Fire Service / Paralympics Australia / Rural Aid / Salvation Army / Sandringham Hospital / Spanish Emergency Military Unit UMA / Special Olympics Australia / SurfAid International / The Bread & Butter Project / The Fred Hollows Foundation / Valley Hospital Foundation / Windgap Foundation / Women's Community Shelters.



The Bread & Butter Project, Australia.

Food rescue and environment

We support charity organisations that reduce waste by redistributing food or useful items that would otherwise go to landfill.

Fareshare Australia / Feeding Hong Kong / Good360 Australia / KiwiHarvest / OzHarvest / Second Harvest Food Bank of Orange County / The Generous and Grateful / Thread Together / UKHarvest.



OzHarvest, Australia.



NSW RFS Commissioner Rob Rogers with Goodman team member and RFS volunteer, Matt Devlin.

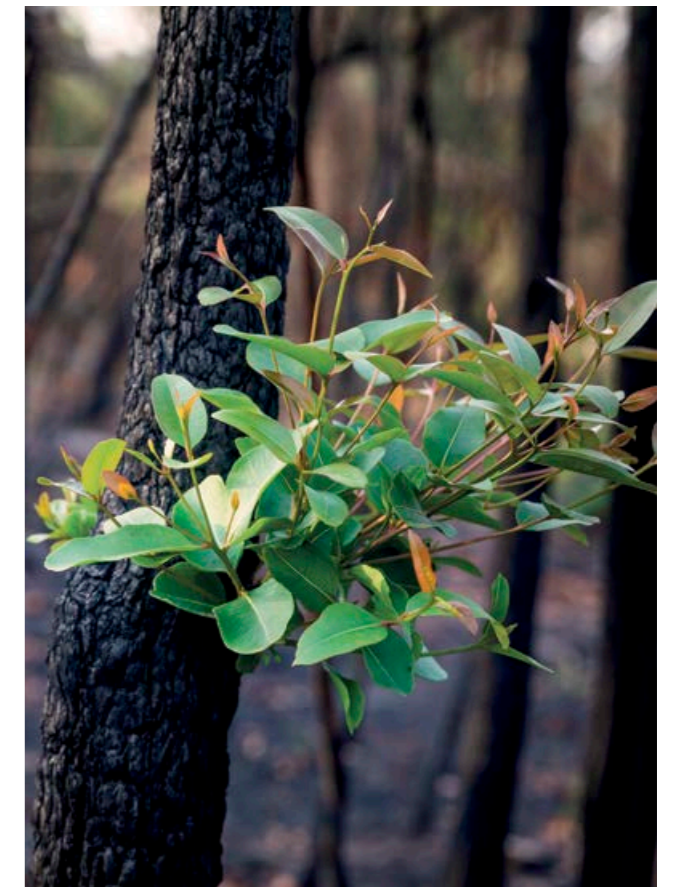
A devastating fire season

Australia's bushfires burnt from September 2019 to March 2020. The environmental and emotional impact of the fires was unprecedented, covering 12 million hectares and killing 33 people, destroying over 3,000 homes and killing or displacing approximately 3 billion native animals. They also severely impacted local economies, including regional areas across the country.

In response to the devastation, Goodman pledged an initial \$5 million to bushfire recovery efforts, which we then increased to \$6.5 million. This was split between the more urgent grassroots efforts of organisations such as the NSW Farmers Association and Good360 Australia, and infrastructure aiding the longer-term firefighting efforts of the NSW Rural Fire Service (RFS). Meanwhile, the Goodman team fundraised to support BlazeAid's efforts to rebuild fences and essential infrastructure, and Good360 Australia in the distribution of critical items for displaced families.

Goodman's people also volunteered their time. As an example, Matt Devlin, based in Sydney, spent three weeks battling blazes as a NSW RFS volunteer firefighter. Supported at every stage through the Goodman Foundation's Do Good program, and the wider business, Matt suffered no financial impact, and Goodman was able to contribute to work that profoundly benefited the broader community.

In July, Goodman was one of 12 companies to receive the 2020 NSW RFS Supportive Employer Award.



Grants for fire-affected farmers

The 2019–2020 bushfires had a significant impact on agriculture and farmers in NSW, affecting 15,994 primary producers. The fires destroyed around 60,000 hectares of prime farmland, more than 13,000 cattle and sheep perished, orchards and beehives burnt and incomes evaporated.

To directly help farmers to recover, NSW Farmers Association set up a natural disaster relief fund. The Goodman Foundation's \$750,000 donation boosted the fund to more than \$1 million, which was distributed as grants to 357 primary producers. The payments were put to practical use in replacing stock, fencing, hay reserves, rainwater tanks, cattle water troughs and beekeeping equipment.

"We lost our home along with all our honey production sheds, machinery and equipment," said Peter McGann of Mogo Village Honey. "We used the grant to buy a couple of shipping containers and converted them into packing and extracting sheds. We're also buying new equipment to resume our beekeeping and honey production."

Help is on its way


During the Australian bushfires of 2019–2020, it became clear the Foundation wanted to make a tangible, long-term contribution to support communities impacted by the bushfires.

With that in mind, Goodman contributed the largest corporate donation ever to the NSW RFS with the purchase of a state-of-the-art firefighting helicopter.

The multi-purpose helicopter is known as the go-to aircraft – a workhorse of the industry – with a reputation for performing reliably in the most extreme environments. It is designed to get firefighters into hard-to-reach places, and get people out of harm's way. The chopper will be equipped with a full range of features such as winch, belly tank for water bombing, surveillance camera for use in firefighting operations, search and rescue, and down the wire insertions and extractions. Its extensive functionality means it can be deployed all year round in tactical and response operations.

Goodman was committed to doing something substantial to help. “During the devastating and unprecedented bushfires earlier in the year, we felt strongly about supporting the NSW RFS with something that will have a sustainable impact on its work and the communities it serves,” said Greg Goodman.

NSW RFS Commissioner Rob Rogers welcomed the addition to the fleet. “It’s fantastic to have the support of the Goodman Foundation through this first of its kind partnership approach. The new helicopter will be a valuable additional resource for us to protect people in the communities we serve. We know helicopters can play a key role in delivering early, impactful action on a developing fire,” said Rob. Also adding, “51 people were rescued by helicopters last fire season. While the current chopper can take up to four crew, the new model can carry as many as seven – meaning more room to rescue large groups of people. The helicopter will also be used out of fire season to support emergency services in other rescue operations such as floods.”



“It’s fantastic to have the support of the Goodman Foundation through this first of its kind partnership approach. The new helicopter will be a valuable additional resource for us to protect people in the communities we serve.”

– NSW RFS Commissioner, Rob Rogers



Alison Covington, Founder and MD Good360 Australia and Jo Cameron, CEO, Goodman Foundation and volunteer.



Good360 Australia volunteers.

The right solution

The problem

- + After a disaster, 70% of donations stop after the first two months
- + Poor co-ordination and uninformed giving can create chaos and inefficiency
- + Up to 60% of goods donated during disasters end up in landfill and are otherwise wasted.

The solution

- + Good360 Australia matches brand new goods to the right people at the right time, to prevent waste and provide hope and dignity
- + Good360 Australia works with a vetted network of more than 2,000 not-for-profits and disadvantaged schools that know exactly what their communities need
- + Good360 Australia matches goods throughout the entire disaster relief lifecycle – prepare, respond, recover, rebuild, refurbish and relive.

In the wake of any disaster, people want to help and often donate goods impulsively. Their generosity can easily be misplaced though, if they're not giving what's needed. That's where Good360 Australia comes in.

Since 2015, and with Goodman as a founding partner, Good360 Australia has been connecting new goods, donated by businesses, to a network of charities and schools that support Australians in need. In the midst of this year's bushfires, however, they realised they needed to step up their efforts. "We came back in January saying, 'we have to do more,'" said Alison Covington, Good360 Australia's Founder and Managing Director.

With Goodman's support, Good360 Australia set up a disaster recovery arm to get the right goods to the right people at the right time. "Disasters are a marathon not a sprint and it's really important to stage giving over the long-term recovery process," said Alison.

In January, Good360 Australia moved into a custom-built warehouse, donated by Goodman, where it could more effectively centralise its aid. "Having a high-quality warehouse has been a game-changer," said Alison. "We are pinching ourselves every time we walk in." The warehouse includes a volunteering space, a place to engage with the community, a product storage zone and an area for 'click and collect'.

When COVID-19 first struck Australia in March, there was a 200% increase in requests for support. To help meet demand, Goodman provided additional financial support so Good360 Australia could scale up labour and logistics support. One example has been in the delivery of 65,777 educational kits to 151 charities and schools to support struggling families with home schooling during the pandemic.

"Goodman's support of our growth, from day one, has meant we can be more impactful every year," said Alison, "which is an amazing gift to the Australians that Good360 helps."

“Disasters are a marathon not a sprint and it’s really important to stage giving over the long-term recovery process.”

– Founder and Managing Director Good360 Australia, Alison Covington



Cerebral Palsy Alliance, Australia.

We helped Cerebral Palsy Alliance make the switch from face-to-face to online support and Raise Foundation ensure 'at risk' high school students were able to continue their mentoring programs online.

When the Tokyo 2020 Paralympic Games were postponed by one year in March, we helped Paralympics Australia avoid unplanned storage fees for its competition equipment. We provided pro-bono warehouse space and financial relief that allowed the team to focus on keeping its athletes fit and motivated.

Facing a global pandemic

The COVID-19 pandemic presented many of our charity partners with a colossal challenge. As demand for their services peaked, their cash flow, volunteer resources and fundraising options plummeted. While Goodman focused on helping its customers, the Foundation looked to support key partners navigate the crisis.



Paralympics Australia.



The Fred Hollows Foundation, China.

For charity partners occupying space in Goodman-managed office or warehouse facilities, including OzHarvest, Special Olympics, The Fred Hollows Foundation and Windgap, the Foundation provided significant additional financial support to help them manage their shortfall in critical revenue due to cancelled fundraising events.

In Europe, the Foundation contributed to street nurse charity, Infirmiers de Rue, to support homeless people in Belgium, as well as to the efforts of SOS Children's Villages in France, Belgium and Germany to support schooling from home.



SOS Children's Villages, Europe.



Goodman Foundation

Second Harvest Food Bank of Orange County, California, USA.

Meanwhile, in California, Goodman helped food redistribution service, Second Harvest Food Bank of Orange County, prevent looming food shortages by purchasing four truckloads of food while some of the Irvine-based Goodman team volunteered to pack and distribute essential food supplies.

The Foundation's work in food redistribution ramped up in other parts of the world too, with charities OzHarvest, UK Harvest and KiwiHarvest also seeing increased demand.



KiwiHarvest, New Zealand.



A safe haven for vulnerable women and children

Early in the pandemic, experts predicted a rise in the need for safe spaces for those experiencing domestic violence. Recognising this, the Goodman Foundation engaged with Women's Community Shelters (WCS) in Sydney to identify vulnerable women. These were women who were at significant risk of family violence and often the first category of people facing unemployment, but were not eligible for any social funding programs or government assistance.

Using Goodman's dedicated grant over three years, WCS established a Women Without Income program to help around 30 families access safety in shelters, support essential medical or legal help, and also to transition other families to independent living.

"Through the Women Without Income program, we've immediately been able to support women and children who really had nowhere else to turn," said Annabelle Daniel, WCS Chief Executive Officer. "We've provided support including bonds for independent housing, funds for critical medication and furniture for new homes."

Stepping up support for Cerebral Palsy Alliance

Cerebral Palsy Alliance (CPA) offers intervention, therapy and all the benefits of its world-leading research to children and adults living with cerebral palsy. Over the five years that Goodman has been a global sponsor of CPA's leading health and wellness fundraising event, STEPtember, Goodman has helped raise millions through its own global fundraising efforts, as well as those from additional contributors brought on board through the Friends of Goodman initiative.

About \$800,000 was donated during Goodman's 2019 STEPtember campaign alone. However this wasn't a normal year, with the pandemic shutting down options for all of CPA's onsite therapy visits. CPA identified 400 vulnerable families who urgently needed to continue their life-changing therapy and Goodman furthered its support beyond STEPtember to help CPA complete a swift pivot to Telepractice delivery.

"Thanks to Goodman's incredible generosity, we were able to provide 220 families, some the most vulnerable in our community, with the tools they need to be able to access therapy at home for their children," said Rob White, CPA Chief Executive Officer. "Telepractice has been a life changer for these families, not only supporting their child's therapy needs but also ensuring connectedness and support for the whole family."

"Thanks to Goodman's incredible generosity we were able to provide 220 families, some the most vulnerable in our community, with the tools they need to be able to access therapy at home for their children."

– CEO Cerebral Palsy Alliance, Rob White



Corporate information

Board of directors



Ian Ferrier AM
Independent Chairman
Appointed 1 September 2003



Greg Goodman
Group Chief Executive Officer
Appointed 7 August 1998



Phillip Pryke
Independent Director
Appointed 13 October 2010



Penny Winn
Independent Director
Appointed 1 February 2018

Rebecca McGrath
Independent Director
Appointed 3 April 2012



Stephen Johns
Independent Director
Appointed 1 January 2017

Mark G Johnson
Independent Director
Appointed 1 June 2020



Danny Peeters
Executive Director, Corporate
Appointed 1 January 2013



Anthony Rozic
Deputy Group Chief Executive Officer
and Chief Executive Officer, North America
Appointed 1 January 2013



Chris Green
Independent Director
Appointed 28 April 2019



Company Secretary
Carl Bicego
Appointed 24 October 2006



Five year financial summary

	2016 \$M	2017 \$M	2018 \$M	2019 \$M	2020 \$M
Income statement					
Gross property income	204.6	177.1	150.4	114.6	115.9
Management income	259.3	266.3	316.5	469.7	511.2
Development income	1,250.4	1,207.1	1,115.8	1,134.3	882.6
Net gain/(loss) on disposals of assets	(26.7)	129.1	108.1	27.9	56.3
Net gain from fair value adjustments on investment properties	327.8	180.9	71.1	146.8	45.2
Share of net results of equity accounted investments	928.6	587.7	910.9	1,132.5	1,022.2
Total income	2,944.0	2,548.2	2,672.8	3,025.8	2,633.4
Property expenses	(63.9)	(46.9)	(36.4)	(40.2)	(36.4)
Development expenses	(929.1)	(919.9)	(808.9)	(727.3)	(443.4)
Employee expenses	(172.6)	(195.9)	(180.7)	(191.9)	(203.7)
Share based payments expense	(66.9)	(85.4)	(125.6)	(196.6)	(164.0)
Administrative and other expenses	(79.1)	(76.5)	(68.7)	(75.8)	(88.6)
Impairment losses	(249.1)	(93.0)	–	–	–
Net finance costs	(13.0)	(279.4)	(267.3)	(49.3)	(80.2)
Total expenses	(1,573.7)	(1,697.0)	(1,487.6)	(1,281.1)	(1,016.3)
Profit before income tax	1,370.3	851.2	1,185.2	1,744.7	1,617.1
Income tax expense	(75.6)	(54.4)	(82.4)	(116.8)	(113.0)
Profit for the year	1,294.7	796.8	1,102.8	1,627.9	1,504.1
Profit attributable to other non-controlling interests	(20.1)	(18.7)	(4.6)	–	–
Profit attributable to Securityholders	1,274.6	778.1	1,098.2	1,627.9	1,504.1
Operating profit reconciliation (non-IFRS)					
Operating profit	714.5	776.0	845.9	942.3	1,060.2
Adjustments for:					
Property valuation related movements	614.4	397.6	639.0	871.7	621.3
Fair value adjustments and unrealised foreign currency exchange movements related to liability management	81.5	(243.8)	(174.4)	17.0	6.8
Other non-cash adjustments or non-recurring items	(135.8)	(151.7)	(212.3)	(203.1)	(184.2)
Profit attributable to Securityholders	1,274.6	778.1	1,098.2	1,627.9	1,504.1
Operating profit per stapled security (cents)¹	40.1	43.1	46.7	51.6	57.5
Dividends/distributions per security (cents)	24.0	25.9	28.0	30.0	30.0

1. Fully diluted for tested performance rights.

	2016 \$M	2017 \$M	2018 \$M	2019 \$M	2020 \$M
Statement of financial position					
Cash and receivables	1,774.5	2,681.9	3,088.7	1,981.4	2,172.5
Property assets	4,096.5	3,245.7	2,732.6	2,966.1	3,081.4
Equity accounted investments	5,348.1	5,522.7	6,585.5	8,452.4	9,370.8
Intangible assets	780.6	771.9	816.7	840.0	845.8
Other (including derivative financial instruments)	387.4	489.0	235.9	672.9	667.7
Total assets	12,387.1	12,711.2	13,459.4	14,912.8	16,138.2
Payables, provisions and contract liabilities	747.4	866.6	918.4	944.1	988.3
Interest bearing liabilities	2,865.2	2,878.3	3,081.5	2,975.0	2,938.5
Other (including derivative financial instruments)	381.2	344.1	285.8	471.2	690.8
Total liabilities	3,993.8	4,089.0	4,285.7	4,390.3	4,617.6
Net assets	8,393.3	8,622.2	9,173.7	10,522.5	11,520.6
Comprising:					
Net assets attributable to Securityholders	8,067.5	8,296.4	9,173.7	10,522.5	11,520.6
Net assets attributable to other non-controlling interests	325.8	325.8	–	–	–
Net tangible assets per security (\$)	4.10	4.21	4.64	5.34	5.84
Gearing ratio (%)	11.8	5.9	5.1	9.7	7.5
Statement of changes in equity					
Total equity at the beginning of the year	7,376.1	8,393.3	8,622.2	9,173.7	10,522.5
Total comprehensive income for the year	1,298.5	678.2	1,304.9	1,795.4	1,467.7
	8,674.6	9,071.5	9,927.1	10,969.1	11,990.2
Contributions of equity, net of transaction costs	95.5	–	–	–	–
Distributions provided or paid	(408.0)	(481.2)	(504.2)	(544.2)	(548.5)
Other transactions with equity holders	51.3	62.5	82.4	97.6	78.9
Movements in other non-controlling interests	(20.1)	(30.6)	(331.6)	–	–
Total equity at the end of the year	8,393.3	8,622.2	9,173.7	10,522.5	11,520.6
Cash flow statement					
Net cash provided by operating activities	830.1	586.4	1,161.2	827.5	1,156.9
Net cash provided by/(used in) investing activities	160.0	730.0	(26.5)	(818.2)	(306.4)
Net cash used in financing activities	(399.6)	(556.3)	(799.2)	(849.2)	(660.9)
Net increase/(decrease) in cash held	590.5	760.1	335.5	(839.9)	189.6
Cash at the beginning of the year	746.5	1,337.0	2,095.1	2,406.8	1,607.1
Effect of exchange rate fluctuations on cash held	–	(2.0)	(23.8)	40.2	(3.9)
Cash at the end of the year	1,337.0	2,095.1	2,406.8	1,607.1	1,792.8

Securities information

Top 20 Securityholders As at 26 August 2020	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	670,060,442	36.65
2. J P Morgan Nominees Australia Limited	571,388,896	31.25
3. Citicorp Nominees Pty Limited	179,918,145	9.84
4. National Nominees Limited	75,849,497	4.15
5. BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	60,218,933	3.29
6. BNP Paribas Noms Pty Ltd <DRP>	37,845,045	2.07
7. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	33,312,954	1.82
8. Trison Investments Pty Ltd	16,874,053	0.92
9. Beeside Pty Limited <The Beeside A/C>	13,192,040	0.72
10. Australian Foundation Investment Company Limited	6,685,000	0.37
11. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	4,442,239	0.24
12. BNP Paribas Noms (NZ) LTD <DRP>	4,270,200	0.23
13. UBS Nominees Pty Ltd	4,179,793	0.23
14. HSBC Custody Nominees (Australia) Limited – GSCO ECA	3,988,844	0.22
15. HSBC Custody Nominees (Australia) Limited	3,083,279	0.17
16. AMP Life Limited	2,661,539	0.15
17. Custodial Services Limited, <Beneficiaries Holding A/C>	2,383,741	0.13
18. DPCON BVBA\C	2,103,548	0.12
19. BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	1,783,081	0.10
20. Milton Corporation Limited	1,690,376	0.09
Securities held by top 20 Securityholders	1,695,931,645	92.73
Balance of securities held	132,481,591	7.27
Total issued securities	1,828,413,236	100.00

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1 – 1,000	17,366	7,258,490	0.40
1,001 – 5,000	14,999	35,611,038	1.95
5,001 – 10,000	3,031	21,529,287	1.18
10,001 – 100,000	1,696	36,193,222	1.98
100,001 – over	89	1,727,821,199	94.50
Total	37,181	1,828,413,236	100.00

There were 643 Securityholders with less than a marketable parcel in relation to 2,800 securities as at 26 August 2020.

Substantial Securityholders ¹	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
Vanguard Group Inc.	165,056,520
Blackrock Investment Management Limited	117,053,786

1. In accordance with latest Substantial Securityholder Notices as at 26 August 2020.

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).

On-market buy-back There is no current on-market buy-back.

Corporate directory

Goodman Group

Goodman Limited
ABN 69 000 123 071

Goodman Industrial Trust
ARSN 091 213 839

Responsible Entity of Goodman Industrial Trust
Goodman Funds Management Limited
ABN 48 067 796 641
AFSL Number 223621

Goodman Logistics (HK) Limited
Company No. 1700359
ARBN 155 911 149

Registered offices

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Australia
GPO Box 4703
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Telephone +852 2249 3100
Facsimile +852 2525 2070
Email info-au@goodman.com
Website goodman.com

Other offices

Allentown	Guangzhou	New Jersey
Amsterdam	Hamburg	Osaka
Auckland	Hong Kong	Paris
Beijing	Kraków	Poznań
Birmingham	London	Prague
Brisbane	Los Angeles	São Paulo
Brussels	Luxembourg	Shanghai
Budapest	Madrid	Sydney
Chengdu	Melbourne	Tokyo
Düsseldorf	Milan	Warsaw

Directors

**Goodman Limited and
Goodman Funds
Management Limited**

Ian Ferrier AM
Independent Chairman

Greg Goodman
Group Chief Executive Officer

Chris Green
Independent Director

Stephen Johns
Independent Director

Mark G Johnson
Independent Director

Rebecca McGrath
Independent Director

Danny Peeters
Executive Director

Phillip Pryke
Independent Director

Anthony Rozic
Executive Director

Penny Winn
Independent Director

Company Secretary
Carl Bicego

Security Registrar

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
Australia
GPO Box 1903
Adelaide SA 5001
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Email investorcentre.com/contact
Website computershare.com

ASX code

GMG

Auditor

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000
Australia

**Goodman Logistics
(HK) Limited**

Ian Ferrier AM
Independent Chairman

David Collins
Independent Director

Danny Peeters
Executive Director

Company Secretary

Goodman Secretarial
Asia Limited

Disclaimer

This document has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071), Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839) and Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149)). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate. This document is not an offer or invitation for subscription or purchase of securities or other financial products. It does not constitute an offer of securities in the United States. Securities may not be offered or sold in the United States unless they are registered under the US Securities Act of 1933 or an exemption from registration is available. This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention have been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Goodman Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. All values are expressed in Australian currency unless otherwise stated. September 2020.



1995	2004	2013	2022
1996	2005	2014	2023
1997	2006	2015	2024
1998	2007	2016	2025
1999	2008	2017	2026
2000	2009	2018	2027
2001	2010	2019	2028
2002	2011	2020	2029
2003	2012	2021	2030

Progress in numbers

Year	1995	2020
Assets under management	\$75.5M	\$51.6B
Cities	1	30
People	8	900+
Properties	8	392
Square metres under management	106K	19.3M
Development work in progress	—	\$6.5B
Partnerships	—	15

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Chairman's letter – A strong finish

Goodman Group's strong result in FY20 came in a year of unprecedented challenges globally that tested the resilience of the business and of our people.

Our financial highlights include:

- + Operating profit of \$1,060.2 million, up 12.5% on FY19
- + Statutory profit of \$1,504.1 million (includes the Group's share of valuation gains, non-cash items and derivative mark-to-market movements)
- + Operating earnings per security of 57.5 cents, up 11.4% on FY19
- + Distribution per stapled security of 30.0 cents, in line with the Group's capital management strategy
- + Gearing at 7.5%, down from 9.7% in FY19
- + Group liquidity of \$2.8 billion available, with \$1.8 billion in cash (excludes \$16.3 billion of equity commitments, cash and undrawn debt in Partnerships)
- + Net tangible assets increased 9.4% to \$5.84 per security.

The following table outlines the share price performance for the last 10 years:

Total Securityholder return relative performance (%)	1 year	3 year	5 year	10 year
Goodman	-0.4	103.4	169.9	566.3
S&P/ASX20	-9.6	15.9	21.4	103.8
S&P/ASX100	-9.5	17.1	31.5	119.0
S&P/ASX200 A-REIT	-8.1	17.1	32.2	142.0
MSCI World REITs	-8.1	8.0	25.5	129.8

Source: Bloomberg/Nasdaq.

Over the decade, Goodman Group has established strong leadership teams, financial resources and a strategic real estate portfolio to maximise the sustainability of our earnings through difficult market cycles.

This has been reflected in a security price that has outperformed relevant benchmarks in FY20 and consistently over time. Since 30 June 2020, despite the global economic challenges resulting from COVID-19, we have outperformed the market by 20% as our investors benefit from, and react to, the Group's resilience through its strategic positioning over many years.

A shared culture and ambition

From the properties we invest in, to the relationships we build with our customers and Investment Partners, to the commitment we have for our people – we are focused on fostering long-term relationships with like-minded stakeholders.

Our people are our greatest asset. Developing and maintaining a strong, consistent culture is critical to the Group's success. I believe Goodman's heritage has been one of its key strengths. Over 25 years, the Group has grown from its Australian foundations into a truly global company with approximately 70% of earnings from international markets and a consistent company culture that is also adapted to each local market.

Sustainable and successful global expansion and growth over this time can be largely attributable to the Group's ability, as an Australian company, to assimilate respectfully into local markets, complementing them and integrating the cultures near seamlessly. Goodman's focus on building strong teams, not only with deep local expertise, but also aligned to the Group's values, as well as to those of our stakeholders, has paid off over the long term.

Over time, relationships with many of our customers and capital Partners have extended from one market into multiple regions, allowing our shared intellectual property to be leveraged at scale, creating a unique and valuable opportunity for Goodman globally.

Critical to our future success, therefore, is retention of our people. To do this, we foster the right culture and present our teams with ambitious challenges and appropriate rewards. To protect our shared perspective of long-term decision-making, Goodman will remain competitive in remunerating its people and in aligning the interests of our people with our Securityholders.

Board changes

The Goodman Board welcomes Mark G Johnson as an Independent Director of Goodman Limited and Goodman Funds Management Limited, and a member of the Audit Committee.

Mark spent 30 years at PwC where he was CEO from 2008 to 2012. He is currently on a number of listed boards, has extensive experience in the unlisted private sector and in government, education and community organisations.

As previously announced, this is my last year as Chairman; Stephen Johns will succeed me at the Annual General Meetings in November. Stephen joined the Board in 2017 as an Independent Director and Chair of the Audit Committee. Over this time, he has made a valuable contribution to the Board and is very well positioned to succeed me as Chairman. I am confident the Group will continue to prosper under his Chairmanship.

Finally, I would like to thank Greg and his team. It has been a privilege since 2003 to serve on, and then Chair, Goodman Group. It has been a wonderful journey, I have thoroughly enjoyed my time with the Group and I am delighted to be finishing my tenure with the business in such strong shape.

On behalf of the Board, I sincerely thank our customers and investors for their continued support and all of Goodman's people for their contribution. I wish the Group every continued success in the future.

Thank you,



Ian Ferrier, AM
Independent Chairman

Group CEO's letter – The decade ahead

This year has certainly been an extraordinary one with the COVID-19 pandemic continuing to have a profound impact around the world. Throughout this time, Goodman has remained focused on executing its strategy – to own high-quality properties in locations where our customers can be close to consumers. Though it has been refined since, this is essentially the strategy Goodman launched 25 years ago when we listed on the Australian Securities Exchange.

Few knew then how strongly industrial property would factor into the wider economy, yet our business has continued to prove its relevance and resilience. That is true of 2020, too, when alongside our customers and the logistics and warehousing sector globally, Goodman has played an important role in delivering and distributing critical supplies and consumer goods by providing the essential infrastructure needed to do so.

Our long-term strategy continues to leverage the structural and behavioural trends that, even before 2020, were fundamentally changing how we live, work and consume. During the year, those trends accelerated with e-commerce increasing, many people moving to remote work arrangements and rising demand for technology and big data.

For these broader societal reasons, as well as the location and quality of our property assets, and the deep expertise of our people, Goodman is well positioned to leverage the opportunities of the decade ahead. As always, we are looking to the future.

Growth fuelled by customer demand

Goodman adapted to the new operating environment with limited disruptions and the business continued its long-term growth, while supporting our customers who were experiencing financial distress as a result of the pandemic. Over the past decade, the Group has developed significant expertise, financial resources and a well-located property portfolio to sustain it through various market conditions. These strong foundations were evident in our FY20 results with operating performance ahead of guidance.

Customer demand for strategically located space in our \$51.6 billion portfolio increased during the year. Occupancy remained high and rental growth was steady across several industry segments, particularly those involved in consumer staples, e-commerce and data storage.

This strong customer demand is positively impacting our development business, where work in progress has increased 59% on last year, to \$6.5 billion, and is forecast to exceed \$7 billion in the first half of FY21.

Increased development activity is flowing through to our external assets under management too, which were up 12%. We now manage \$48 billion on behalf of our capital Partners and delivered total average returns of 16.6% to them with strong income and capital growth. Throughout, Goodman remains well capitalised with total available liquidity of \$19.1 billion across the Group and Partnerships, and the Group further reduced its gearing to 7.5% at the end of FY20.

FY21 forecast

Operating profit	\$1,165m	+10% on FY20
Operating earnings per security	62.7 cents	+ up 9% on FY20
Distribution per security	30 cents	

Increasing commitments

In this changing global landscape, we are significantly increasing the commitments, contributions and targets within our 2030 Sustainability Strategy. One notable example is increasing our target from 100 megawatts (MW) to 400 megawatts (MW) of solar capacity installed on our rooftops globally by 2025.

Meanwhile, in response to the recent Australian bushfires and the ongoing global pandemic, Goodman increased both its financial and non-financial support through the Goodman Foundation to \$13.7 million, to make a greater tangible difference to those who need it most.

Fast-tracking trends

Prior to the pandemic, consumers were expecting more convenience with each passing year and technology use was rising. Both trends spiked when the pandemic hit and what was predicted to happen in five years is happening today. The signs are that increased e-commerce adoption and the need for more data storage are here to stay.

As such, Goodman is keeping a watchful eye on emerging trends that are showing earlier-than-expected signs of adoption. These include technologies that aid a more personalised shopping experience such as artificial intelligence, big data and the Internet of Things. We are also observing the rise of subscription services and of omnichannel retail, where physical and online sales are integrated.

While it seems likely these trends will impact our customers, a big lesson of this year is that not everything is possible to predict. We do know, however, that whatever trends come to fruition, our customers will need high-quality and sustainable properties, close to consumers, in order to leverage them. These properties will need to accommodate future technology investments, such as robotics and automation, and they will need to support the health and well-being of the people working there. All of these continue to be Goodman priorities.

Forward thinking

This year, more than ever, I am very proud of how the Goodman team stayed focussed on delivering for our stakeholders around the world. I thank our people for their adaptability, hard work and resilience. I'd also like to thank our customers, capital Partners and investors for their ongoing commitment and support. I'd especially like to thank Ian Ferrier for his stewardship as both a board member and Chair. He has made a tremendous contribution to our business over the years and we wish him well for the future.

No one could have predicted the year we've had. Yet as a business, we were fortunate enough to be in a position to manage it. Over the past 10 years, Goodman has been steadily laying the foundations for the decade ahead – this is how we've always worked. Committing to the long term has put us in the strong position that we are in today and it is what will allow us to keep building on our future successes.

Sincerely,



Greg Goodman
Group Chief Executive Officer

Operational performance

NEXT LEVEL

Goodman delivered a strong FY20 result. While the pandemic brought some challenges, it also accelerated key societal changes that are well aligned with Goodman's existing direction and that of our customers.

During the year, customer demand for our well-located industrial properties translated into more development activity, high occupancy, rental growth, increased assets under management and, ultimately, strong returns across our property investment and management businesses.

Own

A focus on infill locations

Customer demand for space in Goodman's strategic locations continued to grow due to the ongoing structural changes brought about by changes in consumer behaviour. These changes accelerated during the pandemic, as logistics and warehousing provided critical infrastructure for distribution of essential goods, and more consumers shifted to online shopping.

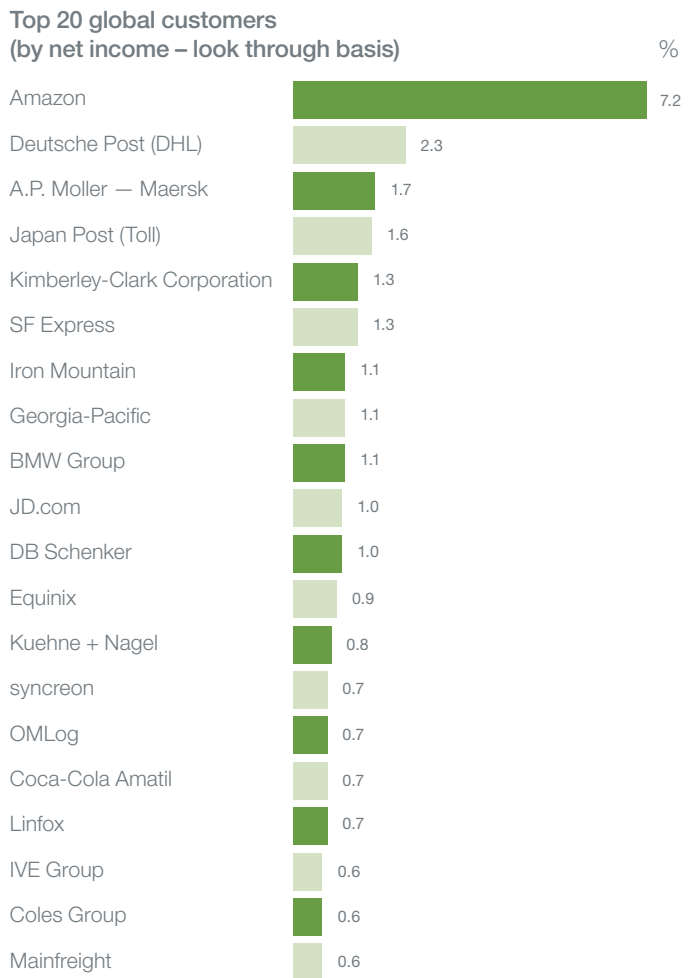
Over the medium to longer term, we expect significant opportunities to arise through planning outcomes across our \$51.6 billion portfolio. This should facilitate redevelopment of higher intensity multi-storey logistics facilities and data centres as well as change of use into residential zoning. We are continually progressing these opportunities through various planning stages.

Property investment highlights include:

- + High occupancy maintained at 97.5% and weighted average lease expiry of 4.5 years
- + 3.0 million sqm leased, equating to \$401.7 million of annual rental property income across the Group and Partnerships
- + Like-for-like net property income growth of 3.0%*

With more than 1,700 customers, Goodman has a diverse range of global and local customers across industries including e-commerce, logistics, retail, consumer goods, automotive, pharmaceutical and technology.

*Excludes net property income from directly held assets.



Develop

Strong growth in workbook to \$6.5 billion

Development activity has been a clear driver of this year's strong results. Our work in progress reached \$6.5 billion and we expect it to exceed \$7 billion in the first half of FY21.

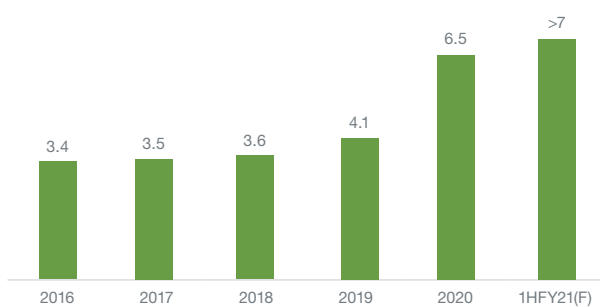
We have seen solid margins and pre-leasing activity, while the average lease term of 15.1 years is the longest it's ever been. We expect these longer leases to continue, as customers choose higher value infill locations and invest more in technology at their facilities.

Our development projects have increased in both scale and value, with the average time for developments in progress increasing to about 17 months. This gives greater visibility over development activities going forward.

Other development highlights include:

- + Globally diversified workbook across 46 projects with a forecast yield on cost of 6.5%
- + Commencing \$4.5 billion in new developments with 79% pre-leased
- + Completing development projects worth \$2.4 billion with 85% leased.

Work in progress (\$bn)



Manage

Development completions and higher valuations drive strong performance

Goodman delivered average total returns of 16.6% to our capital Partners in their respective financial years, continuing the trend of the last five years for double digit returns.

External assets under management grew 12% over FY20 to \$48 billion due to development completions and valuation gains resulting from cap rate compression. The impact of COVID-19 further increased demand for industrial and logistics assets, continuing to generate positive revaluations, which grew by \$2.9 billion this year.

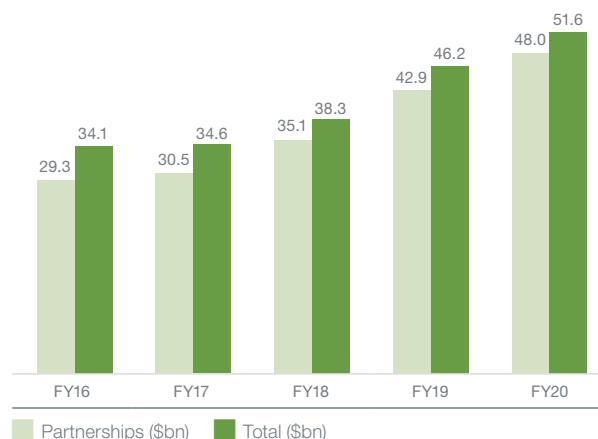
The Group has invested more than \$1.1 billion in its Partnerships over the last two years, including \$0.3 billion in FY20. This was mainly to fund development opportunities, as well as incremental acquisitions of properties with redevelopment opportunities over the longer term.

Other management highlights include:

- + Management earnings up 9%, enhanced by the positive performance of the Partnerships
- + Average Partnership gearing of 19.9%
- + Weighted average cap rate compression of 23bps to 4.9% over the year
- + \$16.3 billion available in the Partnerships in equity commitments*, cash and debt.

* Partnership investments are subject to Investment Committee approval.

Assets under management %



Global network

STRATEGY IN PLACE

While Goodman's business has evolved over time, our fundamental strategy has remained the same – to own high-quality properties in strategic locations for our customers.

We're continuously building a sustainable business for the long term. We've grown from one industrial building in South Sydney, Australia, purchased for less than \$20 million in the mid 1980s, to 392 properties in five regions across the world, worth more than \$51 billion.

Sustainability is consistently executed in all our regions, however each emphasises different aspects to best suit its local market.

Australia

Date of establishment	1986 – listed on the ASX in 1995
AUM	\$16.3bn
Properties	157
Space under management	5.8m sqm
WIP	\$1.6bn
Managed Partnerships	4
Occupancy	96.1%

Goodman Group began in Australia where our sustainability is founded on our long-term relationships with customers and stakeholders. Some of these well-established relationships with customers across a range of industries have been flourishing for more than 20 years and have since expanded overseas.

Yet it's the strength of these relationships that are most important to us. We work to continuously improve our service, delivery and communications to help our customers drive greater efficiencies out of their properties. This extends to our sustainability program.

Long-term customer relationships

As Australia's longest-running listed industrial property company, Goodman has been fortunate to work with some customers for decades. Iron Mountain – with us since 1992 – remains in its original, albeit upgraded property, while also growing its footprint with us across multiple facilities. Other long-term customers have also moved within our portfolio as their businesses have grown and their needs have changed including DHL (1998), Metcash (1998), Visy (1998), Toll (1999), Linfox (2002), Coles (2007) and Woolworths (2008).

Communicating customer insights

Clear and ongoing communication with our customers is a core part of how we operate. We conduct regular customer insight meetings to provide our customers with the information they need to not only track their spending and plan their budgets, but to help them communicate with their people and plan for the future. We discuss what's happening in their property, their local area and their industry. We also ask practical questions such as "What more can Goodman do to lower your operating costs?", and "How can we help?"

Helping our customers grow

Our customers want the most efficient supply chains possible and to be close to their customers. With 5.8 million sqm across our portfolio and the capacity to develop more, Goodman is in an excellent position to provide the facility to suit our customers' changing needs. Approximately 75% of our development customers are from our existing customer base – evidence they appreciate Goodman's quality product and service.

Sustainability program

Reducing our environmental impact is vital to both Goodman and our customers. We take a practical approach that manages natural resources as the valuable assets they are, meeting both our customers' commercial and environmental needs. Our sustainability program currently includes the management of 17,460 trees across the portfolio (around the same number of trees as in New York's Central Park), installation of 13MW of solar energy (enough to power 3,900 homes) and smart irrigation systems installed across 65 sites saving 40 million litres of water since 1 January 2020 – the equivalent of 16 Olympic swimming pools.

New Zealand

Date of establishment	2003
AUM	\$2.9bn
Properties	11
Space under management	1.1m sqm
Development work in progress	\$87m
Managed Partnerships	1
Occupancy	99.6%

As Goodman's only listed entity outside Australia, Goodman Property Trust works to deliver sustainable returns for not only its unitholders, but also customers, people and the community.

Our New Zealand team believes sustainability is about long-term thinking and leading by example – a business strategy that delivers positive economic, environmental and social outcomes for all its stakeholders.

Sustainable business strategy

Goodman in New Zealand has an investment strategy focused on the Auckland industrial market. It provides customers with high-quality business premises, close to major transport networks in New Zealand's largest consumer market. With demographic changes and consumer behaviour driving the growth in online retail, customer demand for well-located facilities, close to consumers, exceeds supply in many locations across Auckland.

Managing our properties efficiently

Our ability to manage our assets over their lifecycle improves their long-term environmental and financial performance. Ongoing energy and waste monitoring across the portfolio allows us to benchmark our assets against best-practice industry standards. Energy consumption in FY20 was 74% less than in FY15 and continues a five-year trend of falling emissions. New energy efficiency initiatives, HVAC and building management system upgrades along with divestments of office assets have all contributed to the reduction.

Long-term community partnership with Kiwi Harvest

Since 2012, Kiwi-Harvest has collected and redistributed 4.1 million kgs of food, the equivalent of 10.5 million meals. It's an exceptional achievement only made possible through the food contributions of over 250 donors and the collective efforts of more than 300 volunteers and staff. The Goodman Foundation was an early supporter, facilitating Kiwi-Harvest's expansion into Auckland in 2017 and its recent move to larger premises at Goodman's Highbrook Business Park in 2019.

Feeding the country through the New Zealand Food Network

Amplifying our work in reducing hunger, food waste and landfill, Goodman has helped establish the New Zealand Food Network (NZFN). NZFN collects quality surplus and donated bulk food from producers, growers and wholesalers, then stores and distributes it to food rescue organisations, iwi* and charities across New Zealand from its Auckland warehouse. While two years in the making, the launch was expedited to help meet the increased demand caused by COVID-19.

* iwi is a Maori term referring to extended kinship groups or tribes.

Global network

(Continued)

Asia

Date of establishment	2006
AUM	\$18.6bn
Properties	64
Space under management	5.7m sqm
WIP	\$3.3bn
Managed Partnerships	5
Occupancy	98.3%

Goodman’s business in Asia spans Mainland China, Hong Kong SAR and Japan. Our long-term strategy emphasises the importance of locations, maintaining growth sustainably and making safety a priority.

Our properties in Asia are designed to suit our customers’ needs in land-constrained environments. They have high-quality amenities to promote health and happiness and are designed with a sustainable focus.

High-quality properties

Goodman Business Park in Greater Tokyo, Japan, approached its design with innovative, contemporary flair. This multi-stage project leads the way in its aesthetic, its customer amenities and its sustainability features. The façade on Stage 4 of the park, known as a tensile façade, is a new style of architecture for logistics spaces. Not only aesthetically pleasing, it is also sustainable, allowing more natural light to flow with less glare – providing solar protection and energy savings. This complements the rooftop solar panels and other sustainability initiatives, which add to its impressive environmental credentials. All Goodman properties in Japan are designed and certified to Comprehensive Assessment System for Built Environment Efficiency (CASBEE) standards.

World-leading employee amenity

The Rambler located at Goodman Interlink in Hong Kong, SAR, is a refreshing space for our customers, their employees and their guests to socialise and recharge. It is equipped with modern facilities, digital kiosks, dining areas, a 24-hour pantry and healthy menu choices. Sustainability is central too; food waste is avoided with surplus food donated to charity organisation Food Angel, which redistributes to underprivileged local communities.

Proximity to consumer concentrations

With access to more than 1.5 billion consumers with a purchasing power of \$US9.2 trillion, it is crucial that Goodman’s Asian-based customers are in the most urban areas, close to consumers. Our properties are in the tier 1 cities of Beijing, Shanghai, Chengdu, Hong Kong, Guangzhou, Tokyo and Osaka – cities with the largest populations that are leveraging the latest consumer and technology trends and driving the sustainable growth of our business.

Industry-leading safety program across Asia

With safety a priority across Goodman’s operations, our business in Asia is focusing on bringing our global safety standards to the region, constantly seeking innovation from development projects through to building maintenance. For example, roof height safety systems have been installed across Mainland China, Hong Kong SAR and Japan to help safeguard the well-being of maintenance teams and prevent falls while cleaning or during maintenance inspections.

Europe/UK

Date of establishment	2006
AUM	\$9.2bn
Properties	138
Space under management	5.1m sqm
WIP	\$759m
Managed Partnerships	3
Occupancy	97.3%

Sustainability is integrated into our European business strategy and our portfolio is strategically located around the major consumer markets of Germany, France, Italy, Spain, Benelux and the UK.

Designed, built and managed to last, these properties look to integrate with the environment and the communities they're in, while also incorporating the kinds of contemporary amenities our customers seek.

Our sustainability focus in Europe is to transition to net zero carbon emissions in our own office spaces as well as helping our customers manage their own sustainability goals.

Environmental initiatives

To increase the sustainability and biodiversity of our properties, we provide our customers with environmental and well-being initiatives. These include 5.6MW of solar installed across the European portfolio, installing electric vehicle charging stations at all new developments, and landscaping tailored to local conditions with a focus on native plants, beehives and wildflowers. Our buildings are designed to sustainable building certification standards so we can verify their quality and green credentials with a minimum level of BREEAM Very Good or equivalent.

Promoting health and well-being

To help our customers attract the right people and enable them to be as productive as possible, our modern warehouses increasingly prioritise their health and well-being at work. Our developments have standard features such as minimum natural light, solar glare control, acoustic walls, covered bicycle parking and outdoor social areas for breaks. We also offer running tracks, vegetable gardens, outdoor fitness facilities and cafés.

Giving new life to old sites

To maintain our concentration of strategic locations, Goodman commonly transforms older sites into modern spaces. This is known as a 'brownfield development' – as opposed to building on a new – or 'greenfield' site. More than 50% of our developments since 2015 have been brownfield sites, placing our customers closer to their customers and improving their supply chain efficiency and last mile delivery. Such projects can be challenging, but lead to environmentally friendly and visually attractive sites that often benefit the broader community too.

Goodman Energy Tracker roll out

To help our customers to proactively measure and optimise their energy consumption, our European portfolio is being equipped with smart meters. The Goodman Energy Tracker smart meter measures electricity, gas and water usage. This visibility helps our customers to manage costs, more easily complete their environmental reporting and encourage behavioural change. Currently, 25% of the European portfolio is connected to the energy tracker with more being rolled out over the next year.

Global network

(Continued)

The Americas

Date of establishment	2012
AUM	\$4.6bn
Properties	22
Space under management	1.6m sqm
WIP	\$731m
Managed Partnerships	2
Occupancy	99.4%

In the Americas, Goodman’s global gateway city strategy spans the major consumer markets of Los Angeles, New York, New Jersey and São Paulo. Our growth is prudent and organic.

We align our properties’ location with our customers’ future direction, so together we can leverage structural and societal changes such as the growth of e-commerce.

This delivers sustainable outcomes for our customers, while protecting and enhancing the long-term value of our assets for our investors.

Strategic acquisitions

Key to our strategy in the Americas is to concentrate on the markets we believe will deliver over the long term. So, despite the size and scale of the region, we are growing our business incrementally as we focus specifically on strategic site selection. Our portfolio is located close to large consumer populations, where land is scarce and barriers to entry are high. Securing these sites allows us to support our customers’ current and future growth.

Regenerating and adding value to existing properties

In the United States, we have successfully acquired, upgraded and repurposed buildings that meet our customers’ modern requirements. By retrofitting existing warehouses, we are prolonging their lifecycle and reusing existing materials, which reduces construction waste, consumption and regenerates local areas with upgraded façades and amenities.

Holistic community partnership

A great example of working closely with local communities is our long-standing partnership with Second Harvest Food Bank of Orange County, which works to fight hunger. We provide in-kind support, with senior Goodman people on the organisation’s board, while other Goodman people volunteer to prep and distribute food. We supply cash grants to fund innovative concepts too, such as ‘Park-It Market’ (a market on wheels for seniors) and a COVID-19 drive through, where people could collect groceries contact-free. Goodman’s most recent donation resulted in 420,000 meals for those in need in the local community.

Towards a greener future

We are increasing our green credentials across our property portfolio in the Americas. Our tangible measures focus on reduced energy consumption, such as upgrading lighting to LED technology, and transitioning to using more renewable energy through the installation of solar panels. We’re investing in initiatives such as drought tolerant landscaping in the US and tree audits and management in Brazil. And we’re working with customers to reduce waste too, with 50% of the waste in our Brazilian properties diverted to recycling.

Corporate responsibility and sustainability

2030 IN THE MAKING

At Goodman we're focused on building a sustainable business for the long term. One that benefits our customers and delivers returns for our investors.

Our 2030 Sustainability Strategy is one of the measures we hold ourselves accountable to. It influences long-term outcomes across the Environmental, Social and Governance (ESG) spectrum. And it supports Goodman and its stakeholders deliver sustained growth and develop ongoing resilience.

At Goodman, we believe it's important to aim high. In FY20, we accelerated our commitments to renewable energy and carbon neutrality, and we improved the resilience of our workforce, business, properties and communities.

Our targets are deliberately ambitious. We know continuing to achieve them won't be easy, but we also know if they were anything less, we wouldn't be aiming high enough.

2020 highlights

In FY20, Goodman:

- 1 Was awarded Global Sector Leader in the 2019 Global Real Estate Sustainability Benchmark (GRESB) Sector Leader award in the Industrial – Developer category
- 2 Completed a global climate risk assessment in accordance with recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)
- 3 Has approximately 50MW of solar PV installed on rooftops across the global portfolio
- 4 Increased our target from 100MW to 400MW of solar PV capacity installed by 2025
- 5 Further entrenched design initiatives in our global development specifications such as solar PV, electric vehicle charging points, LED lighting and drought tolerant landscaping
- 6 Completed certified developments in Europe, the UK, Australia, Japan, China and the United States
- 7 Continued major water-saving initiatives at our Australian properties, reducing consumption by about 60%
- 8 Reduced energy use by approximately 15% across the Australian office portfolio
- 9 Contributed \$13.7 million to community and philanthropic causes with a focus on disaster relief, particularly the Australian bushfires and COVID-19
- 10 Increased efforts to minimise the risk of modern slavery potentially occurring in our supply chains.

2030 Sustainability Strategy

Goodman's 2030 Sustainability Strategy provides a clear direction for the next decade. Led by this strategy, we are well positioned to transition into a truly sustainable, resilient and low-carbon business. The strategy focuses on our people and culture, how we engage with our stakeholders and how we remain a trusted partner in the broader community. It influences our property locations as well as how they:

- + Are built, powered, operated and respond to the changing climate
- + Interact with the surrounding community
- + Support our customers' well-being.

Accelerating progress

As the global landscape changes, so must we. Goodman's 2030 Sustainability Strategy increases our commitments and accelerates our progress with clearly defined targets to hold ourselves accountable, under three pillars.

Notably, by 2025, our aim is to have 400MW of solar PV capacity installed on Goodman's properties – up substantially from our previous commitment of 100MW. This will be achieved primarily through solar investments, generating enough energy to power about 120,000 houses for a year. In addition, our aim by 2025 is to be using 100% renewable energy and be carbon neutral.

Looking back to the year that was, the Group has also:

- + Increased both financial and non-financial support through the Goodman Foundation to \$13.7 million. This is focusing on disaster relief, particularly from the impact of the Australian bushfires and COVID-19
- + Completed our global climate risk assessment in accordance with TCFD recommendations two years ahead of our target.

The strategy is structured around three pillars.

Sustainable properties

Our sustainably designed, energy-efficient and professionally managed properties are strategically located to meet the business, health and well-being needs of our customers, and to remain resilient to tomorrow's global challenges.

People and culture

Our workplaces promote the health, safety and well-being of our people and our customers. Our people are recruited and rewarded based on their commitment to our values, their local expertise and their long-term strategic and ethical thinking.

Corporate performance

Our capital structure is sustainable and we have a positive impact in our global communities through the Goodman Foundation. We promote strong leadership and governance, engage regularly with our stakeholders and measure and disclose our financial and community impact.

Corporate responsibility and sustainability

(Continued)

Backed by targets that address material issues Goodman has always practiced long-term thinking. Our sustainability targets therefore consider material issues that will continue to shape Goodman as a resilient and sustainable business. During the year, Goodman focused on the material ESG issues that are fundamental to building its long-term value and sustainable performance. They reflect our company principles as well as input from our stakeholders.

Addressing the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) act as a universal call to action to address the world's most significant challenges including climate change, poverty, gender equality and good health and well-being for all. During the year, Goodman continued to be guided by nine of the 17 SDGs, which were identified as most material to our global business, customers and charity partners.

- 03 Good health and well-being
- 05 Gender equality
- 07 Affordable and clean energy
- 08 Decent work and economic growth
- 09 Industry, innovation and infrastructure
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 15 Life on land

Sustainable properties

Increasingly, Goodman's sustainable properties have innovative features that improve energy efficiency, performance and the well-being of our customers.

As a key partner in our customers' supply chain, we know the value of strategically located properties. We prioritise accessibility, efficiency and functionality in properties that can adapt to a range of uses and are designed with climate resilience top of mind.

We build long-term relationships with our customers and pride ourselves on maintaining high retention and occupancy rates.





Sustainability specifications

Our specifications differ across our global regions but common sustainability features in our developments include:

- + Strategic site selection close to infrastructure, consumers and transport
- + Integrated energy-efficient design including automated LED lighting
- + Electrical sub-metering for performance monitoring and measurement
- + Solar PV on rooftops to generate clean energy
- + Increasing installations of charging points for electric vehicles
- + Water conservation including rainwater harvesting and drought tolerant/native landscaping
- + Use of low volatile organic compound materials
- + Facilities that support good health such as bicycle storage, fitness equipment and change rooms

Material issues

- + Sustainable design and management
- + Strategic locations
- + Customer attraction and retention
- + Climate risk and resilience
- + Carbon reduction strategies
- + Smart energy solutions
- + Flexible and adaptable properties.

Target	Progress
400MW of solar PV capacity in operation by 2025	<ul style="list-style-type: none"> + Increased our target of 100MW of solar PV installed on our rooftops by 2025 to 400MW + Currently, there is approximately 50MW installed and operating globally + Completed new installations in Australia, China and Europe with several more planned 
100% renewable energy use within our operations by 2025	<ul style="list-style-type: none"> + Continued investments in solar PV to provide renewable energy at our properties + Significant current use of renewable energy in UK, Europe and New Zealand + Looking at ways to supplement our transition to renewable energy through renewable power purchase agreements 
Carbon neutral operations by 2025	<ul style="list-style-type: none"> + Approximately 15% energy reduction across the Australian office portfolio + Further investment in onsite solar energy and other efficiency projects + Investigating ways to offset residual carbon to achieve carbon neutral day-to-day operations (excluding development activities) 
Maintain >95% overall occupancy rate	<ul style="list-style-type: none"> + Achieved a 97.5% occupancy rate 

People and culture

Goodman’s highest priority during this challenging year was to support our people and our stakeholders.

Fortunately, our corporate culture and values helped bond our teams around the world, while our agile working platform enabled us to adapt to the new working arrangements made necessary by the COVID-19 pandemic.

Our commitment to well-being and long-term thinking extends beyond just our people. Increasingly, developments across our portfolio feature well-being initiatives that benefit our customers too. These include health and recreation facilities, high-quality breakout spaces and, where possible, services like gymnasiums and cafés.

Goodman strives for a safe work culture with zero onsite fatalities across our global operations. We are working on gender equality in senior executive roles and prioritising human rights and business ethics in our supply chain.

Material issues

- + Workplace safety
- + Group and regional leadership
- + ESG performance targets
- + Diversity and inclusiveness
- + Promotion of the Goodman values
- + Social equity
- + Customer well-being

Goodman’s values and our corporate culture

Goodman’s values shape our culture and enable us to attract high-calibre people. They ensure we are united in providing our customers and investors with high-quality service as well as innovative and sustainable property and investment solutions. Our values are global and very much alive wherever we operate.

- + **customer+focus**
Be closer to our customers’ world and their changing needs
- + **innovative+dynamic**
Be more creative in our thinking and dynamic in our actions
- + **open+fair**
Be adaptable and considerate in our dealings inside and outside our business
- + **performance+drive**
Do what we say we’ll do and make things happen
- + **team+respect**
Recognise the worth in each other and collaborate for better results.

Target	Progress
Safe working environment	<ul style="list-style-type: none"> + Implemented a safety framework across Goodman’s operations + Prioritised minimum safety standards and management of critical risk controls + Rolled out safety training and contractor management procedures. + Unfortunately in FY20, a delivery driver suffered fatal injuries while unloading his truck at a Goodman property in Chongqing, China and a person suffered a seizure while working from height on a principal contractor-controlled development site in Australia and later died <p>● ● ○ ○ ○</p>
Global supply chain ethics policy	<ul style="list-style-type: none"> + Commenced a modern slavery evaluation process in Australia and drafted Goodman’s modern slavery statement + Commenced the expansion of the business ethics program + Completed a supply chain review in Australia with a focus on high-risk sectors <p>● ● ○ ○ ○</p>
Gender ratio of 50/50, with 40% female senior executives	<ul style="list-style-type: none"> + Assessed current gender ratio at 43% female and 57% male, with 23% female senior executives <p>● ● ● ○ ○</p>
100% of employees assessed as demonstrating Goodman’s values	<ul style="list-style-type: none"> + Implemented a process to monitor how well Goodman’s people are meeting Goodman’s values + In August 2020, 98% of Goodman employees were assessed as ‘demonstrating’ or ‘exceeding’ Goodman’s values. <p>● ● ● ● ○</p>

Corporate responsibility and sustainability

(Continued)

Corporate performance

Goodman’s global success in the industrial real estate sector is founded on our capabilities and expertise, as well as our robust governance structures. Everyone at Goodman plays a role in how we sustain our high-performing operations, capital sources and creditworthiness.

We engage regularly with our key stakeholders and disclose our ESG performance to maintain the trust of our capital partners and customers. Meanwhile, our financial resilience means we can continue to increase the tangible difference we are making to the lives of vulnerable people through the Goodman Foundation.

GRESB is the leading ESG survey for the real estate sector and is one of the main methods Goodman uses to communicate its performance on ESG matters. The benchmark analyses and scores a wide range of ESG indicators and provides detailed insights to investors. In 2019, Goodman Group was awarded Global Sector Leader in the Industrial – Developer category.

Material issues

- + Sustainable operations and results
- + ESG performance
- + Responsible investment
- + Environmental stewardship
- + Sustainable capital structure
- + Stakeholder and community engagement
- + Effective and regular disclosures.

Managing climate risk – TCFD disclosures

Goodman knows its properties are exposed to the impacts of various climatic conditions across its diverse operating regions. We acknowledge that tragic events such as the recent bushfires in Australia are linked to a changing climate and similar events are likely in the future.

During the year, Goodman worked with environmental consultant South Pole to complete a comprehensive climate risk assessment in accordance with TCFD guidelines. We did this to better understand the potential impacts of various climate scenarios, to find opportunities to mitigate long-term impacts and, ultimately, to influence the location, design and management of Goodman’s properties.

Quantifying climate risks across multiple global regions is a challenge, particularly on larger continents that are subject to various conditions and incidents at the same time. However, we identified the following climate hazards in our climate risk assessment, based on different scenarios of carbon mitigation over different timeframes:

- + Increasing temperatures and heatwaves
- + Intense precipitation
- + Hailstorms
- + Tropical and ex-tropical windstorms
- + Rising sea levels.

More information on Goodman’s approach to managing climate risk will be available in Goodman’s TCFD statement published in late 2020 at goodman.com/sustainability.

Target	Progress
Retain investment grade credit rating	<ul style="list-style-type: none"> + Continued to meet financial targets to underpin capital sources and retain credit rating + Maintained credit rating at BBB+ (S&P) and Baa1 (Moody’s)
Adopt the TCFD guidelines for climate risk assessment and disclosure by 2022	<ul style="list-style-type: none"> + Committed to adopting the TCFD framework + Determined that the Risk and Compliance Committee will oversee Goodman’s climate risk management and alignment with TCFD + Continued working towards completing our first TCFD aligned statement in 2020 – two years ahead of our target
4 Star Green Star GRESB rating average	<ul style="list-style-type: none"> + Submitted GRESB responses for eight Goodman entities with results due later in 2020 Achieved strong results in the 2019 GRESB survey including: <ul style="list-style-type: none"> – Goodman Group awarded the Global Sector Leader in the Developer – Industrial peer group achieving 5 Star Green Star status and an ‘A’ for public disclosure – Goodman Japan Core Partnership awarded Sector Leader for its peer group, for the second consecutive year, improving its previous score by 15% – Three of the eight participating entities achieved GRESB’s top rating of 5 Green Stars
\$50m in social investment by the Goodman Foundation by 2030	<ul style="list-style-type: none"> + Contributed \$13.7m to community and philanthropic causes including \$6.5m to relief, recovery and firefighting efforts related to bushfires in Australia.

The Goodman Foundation

FURTHER TOGETHER

The Goodman Foundation unites our people, properties and resources to make a tangible difference to the lives of people in our communities. Through our partnerships with an exceptional group of charities, we're able to make a real difference, where and when it matters most.

In this extraordinary year, with the Australian bushfires and the COVID-19 pandemic, the demand for the services of many of our partners intensified. The financial strength of the group, however, meant the Foundation was well positioned to commit to an increased effort, with a focus on critical areas in times of disaster – mental health, distribution of food and essential goods, vulnerable people and domestic violence.

How we help

The Goodman Foundation offers support to charities within three key areas: Children and youth, Community and community health and Food rescue and environment.

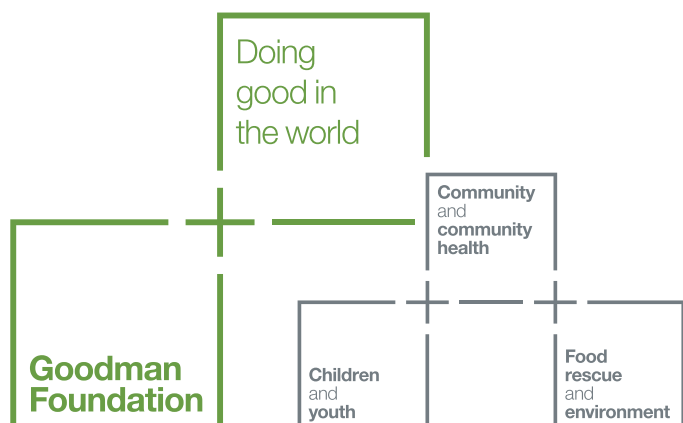
Support can take the form of:

- + **Cash grants** – Provided to fund identified projects or needs over one to three years
- + **Do good** – Goodman team volunteering or fundraising for charities
- + **Give back** – Workplace giving schemes that match staff contributions dollar for dollar
- + **In-kind** – Donating our expertise, warehouse space or other critical items.

Children and youth

We work with charity organisations that help to protect and support children or young people around the world.

Auckland Starship Hospital, Bestest Foundation, Clontarf Foundation, Duffy Books in Homes, Eagle RAPS, El Monte Promise Foundation, Giant Steps, Great Potentials Foundation, Keystone Trust, Kids Cancer Project, Kids Under Cover, Little Boomers Basketball, Little Olive Child Foundation, Middlemore Foundation, Property Industry Foundation, Raise Foundation, Smith Family, SOS Children's Villages, Stepping Stone House, The Helmsman Project, The Shepherd Centre, Yalari, Youngcare.



Community and community health

We work with charity organisations that support people living with a condition, illness or disability, or whose efforts create a more inclusive and equitable community.

Australian Cancer Research Institute, Black Dog Institute, BlazeAid, Canterbury Brain Collective, Cerebral Palsy Alliance, Die Arche Germany, Fight MND, Friends & Helpers Foundation, Greenway, Humpty Dumpty Foundation, Infirmiers De Rue, Interplast Australia, Long Beach Community Foundation, MS Australia, NSW Farmers Natural Disaster Relief Fund, NSW Rural Fire Service, Paralympics Australia, Rural Aid, Salvation Army, Sandringham Hospital, Spanish Emergency Military Unit UMA, Special Olympics Australia, SurfAid International, The Bread & Butter Project, The Fred Hollows Foundation, Valley Hospital Foundation, Windgap Foundation, Women's Community Shelters.

Food rescue and environment

We support charity organisations that reduce waste by redistributing food or useful items that would otherwise go to landfill.

Fareshare Australia, Feeding Hong Kong, Good360 Australia, KiwiHarvest, OzHarvest, Second Harvest Food Bank of Orange County, The Generous and Grateful, Thread Together, UKHarvest.

Goodman's people also volunteered their time. As an example, Matt Devlin, based in Sydney, spent three weeks battling blazes as a NSW RFS volunteer firefighter. Supported at every stage through the Goodman Foundation's Do Good program, and the wider business, Matt suffered no financial impact, and Goodman was able to contribute to work that profoundly benefited the broader community.

In July, Goodman was one of 12 companies to receive the 2020 NSW RFS Supportive Employer Award.

A DEVASTATING FIRE SEASON

Australia's bushfires burnt from September 2019 to March 2020. The environmental and emotional impact of the fires was unprecedented, covering 12 million hectares and killing 33 people, destroying over 3,000 homes and killing or displacing approximately 3 billion native animals. They also severely impacted local economies, including regional areas across the country.

In response to the devastation, Goodman pledged an initial \$5 million to bushfire recovery efforts, which we then increased to \$6.5 million.

This was split between the more urgent grassroots efforts of organisations such as the NSW Farmers Federation and Good360 Australia, and infrastructure aiding the longer-term firefighting efforts of the NSW Rural Fire Service (RFS).

Meanwhile, the Goodman team fundraised to support BlazeAid's efforts to rebuild fences and essential infrastructure, and Good360 Australia in the distribution of critical items for displaced families.

The Goodman Foundation

(Continued)

Grants for fire-affected farmers

The 2019–2020 bushfires had a significant impact on agriculture and farmers in NSW, affecting 15,994 primary producers. The fires destroyed around 60,000 hectares of prime farmland, more than 13,000 cattle and sheep perished, orchards and beehives burnt and incomes evaporated.

To directly help farmers to recover, NSW Farmers Federation set up a natural disaster relief fund. The Goodman Foundation's \$750,000 donation boosted the fund to more than \$1 million, which was distributed as grants to 357 primary producers. The payments were put to practical use in replacing stock, fencing, hay reserves, rainwater tanks, cattle water troughs and beekeeping equipment.

"We lost our home along with all our honey production sheds, machinery and equipment," said Peter McGann of Mogo Village Honey. "We used the grant to buy a couple of shipping containers and converted them into packing and extracting sheds. We're also buying new equipment to resume our beekeeping and honey production."

HELP IS ON ITS WAY

During the Australian bushfires of 2019–2020, it became clear the Foundation wanted to make a tangible, long-term contribution to support communities impacted by the bushfires.

With that in mind, Goodman contributed the largest corporate donation ever to the NSW RFS with the purchase of a state-of-the-art firefighting helicopter.

The multi-purpose helicopter is known as the go-to aircraft – a workhorse of the industry – with a reputation for performing reliably in the most extreme environments. It is designed to get firefighters into hard-to-reach places, and get people out of harm's way. The chopper will be equipped with a full range of features such as winch, belly tank for water bombing, surveillance camera for use in firefighting operations, search and rescue, and down the wire insertions and extractions. Its extensive functionality means it can be deployed all year round in tactical and response operations.

Goodman was committed to doing something substantial to help. "During the devastating and unprecedented bushfires earlier in the year, we felt strongly about supporting the NSW RFS with something that will have a sustainable impact on its work and the communities it serves," said Greg Goodman.

NSW RFS Commissioner Rob Rogers welcomed the addition to the fleet. "It's fantastic to have the support of the Goodman Foundation through this first of its kind partnership approach. The new helicopter will be a valuable additional resource for us to protect people in the communities we serve. We know helicopters can play a key role in delivering early, impactful action on a developing fire," said Rob. Also adding, "51 people were rescued by helicopters last fire season. While the current chopper can take up to four crew, the new model can carry as many as seven – meaning more room to rescue large groups of people. The helicopter will also be used out of fire season to support emergency services in other rescue operations such as floods."

THE RIGHT SOLUTION

The problem

- + After a disaster, 70% of donations stop after the first two months
- + Poor co-ordination and uninformed giving can create chaos and inefficiency
- + Up to 60% of goods donated during disasters end up in landfill or are otherwise wasted.

The solution

- + Good360 Australia matches brand new goods to the right people at the right time, to prevent waste and provide hope and dignity
- + Good360 Australia works with a vetted network of more than 2,000 not-for-profits and disadvantaged schools that know exactly what their communities need
- + Good360 Australia matches goods throughout the entire disaster relief lifecycle – prepare, respond, recover, rebuild, refurbish and relive.

In the wake of any disaster, people want to help and often donate goods impulsively. Their generosity can easily be misplaced though, if they're not giving what's needed. That's where Good360 Australia comes in.

Since 2015, and with Goodman as a founding partner, Good360 Australia has been connecting new goods, donated by businesses, to a network of charities and schools that support Australians in need. In the midst of this year's bushfires, however, they realised they needed to step up their efforts. "We came back in January saying, 'we have to do more,'" said Alison Covington, Good360 Australia's Founder and Managing Director.

With Goodman's support, Good360 Australia set up a disaster recovery arm to get the right goods to the right people at the right time. "Disasters are a marathon not a sprint and it's really important to stage giving over the long-term recovery process," says Alison.

In January, Good360 Australia moved into a custom-built warehouse, donated by Goodman, where it could more effectively centralise its aid. "Having a high-quality warehouse has been a game-changer," said Alison. "We are pinching ourselves every time we walk in." The warehouse includes a volunteering space, a place to engage with the community, a product storage zone and an area for 'click and collect'.

When COVID-19 first struck Australia in March, there was a 200% increase in requests for support. To help meet demand, Goodman provided additional financial support so Good360 Australia could scale up labour and logistics support. One example has been in the delivery of 65,777 educational kits to 151 charities and schools to support struggling families with home schooling during the pandemic.

"Goodman's support of our growth, from day one, has meant we can be more impactful every year," said Alison, "which is an amazing gift to the Australians that Good360 helps."

FACING A GLOBAL PANDEMIC

The COVID-19 pandemic presented many of our charity partners with a colossal challenge. As demand for their services peaked, their cash flow, volunteer resources and fundraising options plummeted. While Goodman focused on helping its customers, the Foundation looked to support key partners navigate the crisis.

We helped Cerebral Palsy Alliance make the switch from face-to-face to online support and Raise Foundation ensure 'at risk' high school students were able to continue their mentoring programs online.

When the Tokyo 2020 Paralympic Games were postponed by one year in March, we helped Paralympics Australia avoid unplanned storage fees for its competition equipment. We provided pro-bono warehouse space and financial relief that allowed the team to focus on keeping its athletes fit and motivated.

For charity partners occupying space in Goodman-managed office or warehouse facilities, including OzHarvest, Special Olympics, Fred Hollows Foundation and Windgap, the Foundation provided significant additional financial support to help them manage their shortfall in critical revenue due to cancelled fundraising events.

In Europe, the Foundation contributed to street nurse charity, Infirmiers de Rue, to support homeless people in Belgium, as well as to the efforts of SOS Children's Villages in France, Belgium and Germany to support schooling from home.

Meanwhile, in California, Goodman helped food re-distribution service, Second Harvest Food Bank of Orange County, prevent looming food shortages by purchasing four truckloads of food while some of the Irvine-based Goodman team volunteered to pack and distribute essential food supplies.

The Foundation's work in food redistribution ramped up in other parts of the world too, with charities OzHarvest, UK Harvest and KiwiHarvest also seeing increased demand.

A safe haven for vulnerable women and children

Early in the pandemic, experts predicted a rise in the need for safe spaces for those experiencing domestic violence. Recognising this, the Goodman Foundation engaged with Women's Community Shelters (WCS) in Sydney to identify vulnerable women. These were women who were at significant risk of family violence and often the first category of people facing unemployment, but were not eligible for any social funding programs or government assistance.

Using Goodman's dedicated grant over three years, WCS established a Women Without Income program to help around 30 families access safety in shelters, support essential medical or legal help, and also to transition other families to independent living.

"Through the Women Without Income program, we've immediately been able to support women and children who really had nowhere else to turn," said Annabelle Daniel, WCS Chief Executive Officer. "We've provided support including bonds for independent housing, funds for critical medication and furniture for new homes."

Stepping up support for Cerebral Palsy Alliance

Cerebral Palsy Alliance (CPA) offers intervention, therapy and all the benefits of its world-leading research to children and adults living with cerebral palsy. Over the five years that Goodman has been a global sponsor of CPA's leading health and wellness fundraising event, STEPtember, Goodman has helped raise millions through its own global fundraising efforts, as well as those from additional contributors brought on board through the Friends of Goodman initiative.

About \$800,000 was donated during Goodman's 2019 STEPtember campaign alone. However this wasn't a normal year, with the pandemic shutting down options for all of CPA's onsite therapy visits. CPA identified 400 vulnerable families who urgently needed to continue their life-changing therapy and Goodman furthered its support beyond STEPtember to help CPA complete a swift pivot to Telepractice delivery.

"Thanks to Goodman's incredible generosity, we were able to provide 220 families, some the most vulnerable in our community, with the tools they need to be able to access therapy at home for their children," said Rob White, CPA Chief Executive Officer. "Telepractice has been a life changer for these families, not only supporting their child's therapy needs but also ensuring connectedness and support for the whole family."

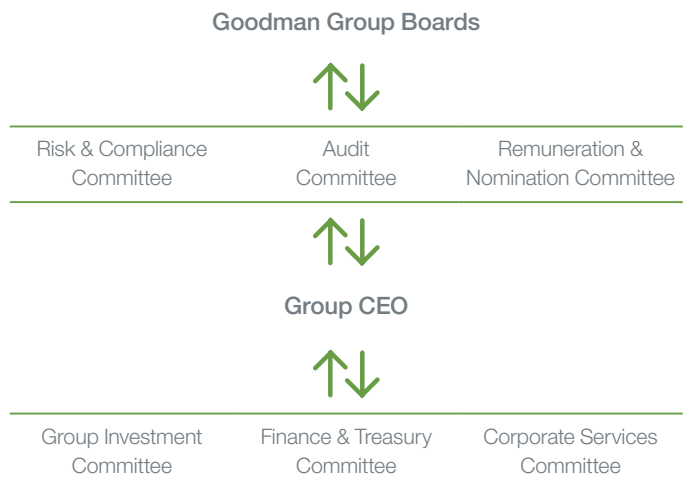
Corporate Governance

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

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

- + effective controls, risk management, transparency and corporate responsibility;
- + strategic planning and alignment of the interests of employees with that of Securityholders and other stakeholders;
- + meeting stakeholder expectations of a global ASX listed entity through acting lawfully and responsibly while prudently managing both financial and non-financial risk; and
- + ensuring we are an organisation that acts with integrity by promoting a culture which values the principles of honesty, fairness, transparency and ethical behaviour.

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



During the year Goodman has actively considered recent corporate governance developments including the 4th Edition Corporate Governance Principles and Recommendations. Goodman will report against the new principles and recommendations in FY21 and has conducted a comprehensive review of its corporate governance practices in preparation.

Further, in response to the pandemic COVID-19 the Group implemented various business continuity protocols and has continued to examine, review and adapt its business systems, processes and procedures, including controls and governance reporting.

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

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

Goodman Limited and its controlled entities

Consolidated financial report for the year ended 30 June 2020

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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 2020 (FY20) and the audit report thereon.

Shares in Goodman Limited (Company or GL), units in Goodman Industrial Trust (Trust) and CHESS Depository Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK) are stapled to one another and are quoted as a single security on the Australian Securities Exchange (ASX). In respect of stapling arrangements, Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised and accordingly Goodman Limited is identified as having acquired control over the assets of GIT and GLHK. The consolidated financial statements of Goodman Limited therefore include the results of GIT and GLHK.

As permitted by the relief provided in Australian Securities & Investments Commission (ASIC) Instrument 18-0353, the accompanying consolidated financial statements present both the financial statements and accompanying notes of Goodman and GIT. GLHK, which is incorporated and domiciled in Hong Kong, prepares its financial statements under Hong Kong Financial Reporting Standards and the applicable requirements of the Hong Kong Companies Ordinance and accordingly the financial statements of GLHK have not been included as adjacent columns in the consolidated financial statements. The financial statements of GLHK have been included as an appendix to this financial report.

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

OPERATING AND FINANCIAL REVIEW

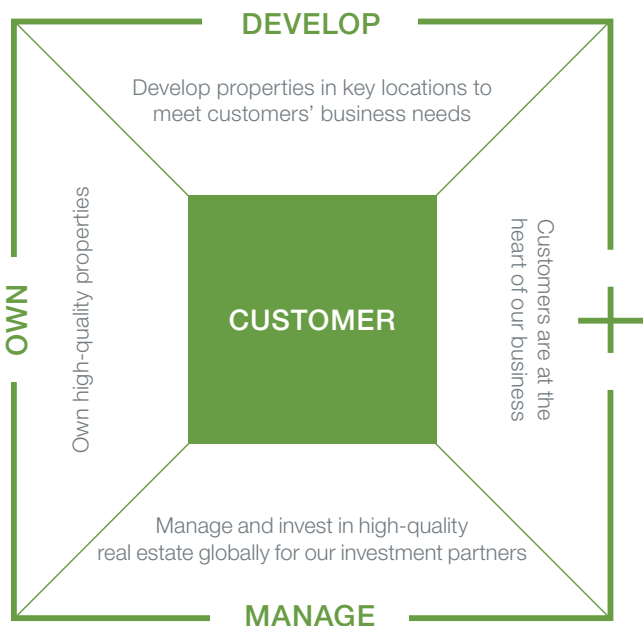
Principal activities

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

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

Goodman strategy

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



The business capabilities are supported by five strategic “pillars”:

1. **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, investment partners, suppliers and employees.
2. **Quality product and service** – deliver high quality product and customer service in key logistics markets globally by actively leveraging Goodman’s industrial sector expertise, development and management experience and global operating platform.
3. **Culture and brand** – promote Goodman’s unique and recognisable brand and embed Goodman’s core values across each operating division to foster a strong and consistent culture. The core values are:
 - + Customer + Focus: “Be closer to the customer’s world and their changing needs”
 - + Innovative + Dynamic: “Be more creative in our thinking and more creative in our actions”
 - + Open + Fair: “Be adaptable and considerate in our dealings inside and outside our business”
 - + Performance + Drive: “Do what we say we’ll do and make things happen”
 - + Team + Respect: “Recognise the worth in each other and collaborate for better results”.
4. **Operational efficiency** – optimise business resources to maximise effectiveness and drive efficiencies.
5. **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.

Directors' report

Operating and financial review (continued)

Financial highlights

	2020	2019	Change %
Revenue and other income before fair value adjustments on investment properties (\$M)	1,982.1	2,132.4	(7.0%)
Fair value adjustments on investment properties including share of adjustments for Partnerships (\$M)	651.3	893.4	(27.1%)
Revenue and other income (\$M)	2,633.4	3,025.8	(13.0%)
Profit attributable to Securityholders (\$M)	1,504.1	1,627.9	(7.6%)
Operating profit (\$M)	1,060.2	942.3	12.5%
Statutory profit per security – basic (¢)	82.4	89.9	(8.3%)
Operating profit per security (operating EPS) (¢) ¹	57.5	51.6	11.4%
Dividends/distributions in relation to the year (\$M)	548.5	544.2	0.8%
Dividends/distributions per security in relation to the year (¢)	30.0	30.0	0.0%
Weighted average number of securities on issue (M)	1,826.0	1,811.7	0.8%
Total equity attributable to Securityholders (\$M)	11,520.6	10,522.5	9.5%
Number of securities on issue (M)	1,828.4	1,813.9	0.8%
Net tangible assets per security (\$)	5.84	5.34	9.4%
Net assets per security (\$)	6.30	5.80	8.6%
External assets under management (\$B)	48.0	42.9	11.9%
Total assets under management (\$B)	51.6	46.2	11.7%
Development work in progress (\$B) ²	6.5	4.1	58.5%
Gearing (%) ³	7.5	9.7	
Interest cover ⁴ (times)	15.3	19.6	
Liquidity (\$B)	2.8	2.7	
Weighted average debt maturity (years)	5.8	6.6	

- Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during FY20, including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved. Operating profit comprises profit attributable to Securityholders adjusted for net property valuations gains, non-property impairment losses, net gains/losses from the fair value movements on derivative financial instruments and unrealised fair value and foreign exchange movements on interest bearing liabilities and other non-cash adjustments or non-recurring items e.g. the share based payments expense associated with Goodman's LTIP.
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.
- Development work in progress is the end value of ongoing developments across Goodman and its investments in associates and joint ventures (referred to as Partnerships).
- 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 \$292.5 million (2019: \$222.4 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$194.0 million (2019: \$123.6 million).
- Interest cover is operating profit before net finance expense (operating) and income tax (operating) divided by adjusted net finance expense (operating). Adjusted net finance expense excludes capitalised borrowing costs.

Overview

The Board acknowledges the unprecedented times the world is experiencing and the terrible impact COVID-19 is having on people's lives and livelihoods. Goodman's markets have been affected at various times and to varying degrees, but the Group has adapted to this new operating environment with limited disruption and has continued to grow the business sustainably for the long term. Goodman plays an important role in providing both essential infrastructure and making a tangible difference for customers in the cities in which the Group operates.

Over the past decade, the Group has established significant human capital, financial resources and a well located real estate portfolio, to sustain the business through market cycles. This is reflected in the results for the financial year with Goodman reporting operating profit of \$1,060.2 million, compared to \$942.3 million for the prior year, an increase of 12.5%. This equates to an operating EPS of 57.5 cents, up 11.4% on FY19.

Goodman's statutory profit attributable to Securityholders for FY20 was \$1,504.1 million, a decrease of \$123.8 million compared with FY19. This included the Group's share of property valuation gains, net of deferred tax, of \$621.3 million and the accounting expense of the Goodman LTIP of \$164.0 million. There was also a \$6.8 million fair value gain on derivatives which is included in the statutory profit but excluded from the calculation of operating profit. The decrease in statutory profit compared to FY19 was principally due to the lower property valuation gains in FY20.

Goodman has achieved this result while maintaining the prudent metrics in accordance with its financial risk management policy. At 30 June 2020, gearing remained low at 7.5% and the funds available to the Group for future investment were \$2.8 billion. On 14 July 2020, a notice of early redemption was issued in relation to the total of the US\$174.5 million (A\$253.3 million) outstanding principal amount of the bonds due for payment in 15 April 2021. This transaction is due to settle in August 2020, which would have a commensurate pro-forma impact on liquidity. Over \$2.0 billion of the Group's total of \$2.6 billion of remaining bonds have maturities of more than five years from 30 June 2020.

Dividends and distributions relating to FY20 were maintained at 30 cents per security, equivalent to 52% of operating profit. The cash retained in the business is consistent with the financial risk management targets and is considered appropriate given the significant development activity and the commensurate growth in investments that is expected in the near term.

Key operational highlights:

Property investment:

- + Investment earnings of \$425.2 million (2019: \$372.1 million)
- + \$51.6 billion of total assets under management (AUM), of which the Group owns a whole or a part share
- + 3.0% like for like growth in net property income (NPI) in Partnerships
- + 97.5% occupancy across the Group and Partnerships

Management:

- + Management earnings of \$511.2 million (2019: \$469.7 million)
- + \$48.0 billion of external AUM in Partnerships
- + 16.6% total return across Partnerships

Development:

- + Development earnings of \$575.7 million (2019: \$509.2 million)
- + \$6.5 billion of development work in progress (WIP)
- + \$4.5 billion of development commencements

"own+develop+manage"

The Group's focus on urban locations to efficiently service consumers has provided resilient cashflows across the global portfolio. This is particularly important in uncertain times, with Goodman's assets providing critical infrastructure for delivery of essential goods and services.

The Group has experienced increased demand for both temporary and permanent space from customers in the food, consumer goods and logistics sectors, particularly related to e-commerce operators and those transitioning to online. The portfolio occupancy has remained stable at 97.5%, with like for like NPI growth during FY20 at 3% and, in general, there was relatively limited closure or disruption of Goodman's warehouse facilities over the past few months.

Where Goodman's most vulnerable customers have been significantly impacted by the lockdowns and the economic impacts of the pandemic, then Goodman has worked with them to provide rental assistance. This includes complying with any local legislation, with support in the form of rent abatement, rent deferral or lease restructure. However, the impacts in FY20 have not been material in the context of the Group's reported operating profit and net assets.

Furthermore, many of Goodman's customers have continued to progress discussions regarding demand for new space in line with ongoing supply chain consolidation, online expansion and growth in the digital economy. This has given the Group confidence to grow its WIP to \$6.5 billion at 30 June 2020. The Group continues to mitigate its development risk through global diversification and sharing the opportunities with its investment partners, undertaking 79% of developments within the Partnerships at 30 June 2020. WIP is 76% pre-committed at 30 June 2020, with uncommitted space representing only 2% of total global portfolio area.

This continued customer demand for industrial space has seen a strong property valuation result for the financial year. The uplift in 2H was \$257.6 million, despite the economic impacts arising from the pandemic. During FY20, the weighted average capitalisation rate of the stabilised assets in the Goodman portfolios contracted from 5.1% to 4.9%.

Directors' report

Operating and financial review (continued)

Goodman's external AUM during FY20 increased by 12% to \$48.0 billion at 30 June 2020 from \$42.9 billion, which resulted in higher base management fee revenue in FY20. The increase in AUM was primarily a result of continued development activity and the property valuation uplifts on both stabilised assets and development completions. The Group's Partnerships again reported strong total returns and as a consequence, management earnings for FY20 included portfolio performance fee revenue of \$207.2 million.

While the Group's portfolios are largely concentrated in key urban centres, Goodman has continued to rotate assets where longer-term returns are projected to be lower than the Group's and the Partnership's targets.

Analysis of performance

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

Property investment earnings consist of gross property income (excluding straight lining of rental income), less property expenses, plus Goodman's share of the operating results of Partnerships that is allocable to property investment activities which excludes the Group's share of property revaluations and derivative mark to market movements. The key drivers for maintaining or growing Goodman's property investment earnings are increasing the level of AUM (subject also to Goodman's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, and operating and financing costs within Partnerships.

Management earnings relate to the revenue from managing both the property portfolios and the capital invested in Partnerships (management income). This includes performance related revenues but excludes earnings from managing development activities in Partnerships, which are included in development earnings. The key drivers for maintaining or growing management earnings are activity levels, asset performance, and increasing the level of AUM, which can be impacted by property valuations and asset disposals and is also dependent on liquidity including the continued availability of third party capital to fund both development activity and acquisitions across Goodman's Partnerships.

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

The analysis of Goodman's performance and the reconciliation of the operating profit to profit attributable to Securityholders for FY20 are set out in the table below:

	Note	2020 \$M	2019 \$M	Change %
Analysis of operating profit				
Property investment earnings		425.2	372.1	14.3%
Management earnings		511.2	469.7	8.8%
Development earnings ¹		575.7	509.2	13.1%
		1,512.1	1,351.0	
Operating expenses		(292.3)	(267.7)	9.2%
		1,219.8	1,083.3	
Net finance expense (operating) ²		(70.8)	(45.9)	54.2%
Income tax expense (operating) ³		(88.8)	(95.1)	(6.6%)
Operating profit		1,060.2	942.3	12.5%
Adjustments for:				
Property valuation related movements				
– Net gain from fair value adjustments on investment properties	6(e)	45.2	146.8	
– Share of fair value adjustments attributable to investment properties in Partnerships after tax ¹	6(f)	591.7	746.6	
– Deferred tax on fair value adjustments on investment properties		(15.6)	(21.7)	
		621.3	871.7	
Fair value adjustments and unrealised foreign currency exchange movements related to liability management				
– Fair value adjustments on derivative financial instruments	15	(9.4)	6.7	
– Share of fair value adjustments on derivative financial instruments in Partnerships	6(f)	16.2	20.4	
– Unrealised foreign exchange losses	15	–	(10.1)	
		6.8	17.0	
Other non-cash adjustments or non-recurring items				
– Share based payments expense	2	(164.0)	(196.6)	
– Straight lining of rental income and tax deferred adjustments		(20.2)	(6.5)	
		(184.2)	(203.1)	
Profit for the year attributable to Securityholders		1,504.1	1,627.9	

- In FY19, one of the Partnerships exchanged contracts to sell a development property to a third party. In the period between exchange and settlement, the Group recognised its \$14.4 million share of fair value gain in respect of the property. Settlement occurred in 1H20 and this gain has been categorised as development earnings in the FY20 analysis of the Group's performance. The share of fair value adjustments attributable to investment properties in Partnerships has been reduced by \$14.4 million.
- Net finance expense (operating) excludes derivative mark to market and unrealised foreign exchange movements.
- Income tax expense (operating) excludes the deferred tax movements relating to investment property valuations and other non-operating items.

Directors' report

Operating and financial review (continued)

Analysis of performance (continued)

Property investment

Property investment earnings in FY20 of \$425.2 million increased by 14.3% on the prior year and comprised 28% of the total earnings (2019: 27%).

	2020 \$M	2019 \$M
Analysis of property investment earnings:		
Direct	78.5	74.0
Partnerships	346.7	298.1
	425.2	372.1

	2020	2019
Key metrics:		
Weighted average capitalisation rate (WACR) (%)	4.9	5.1
Weighted average lease expiry (WALE) (yrs)	4.5	4.7
Occupancy (%)	97.5	97.6

The Group's property portfolios are concentrated in large, urban centres around the world where demand from customers has put pressure on land use and availability. Customers, including e-commerce, are continuing to invest in order to improve the efficiency of their supply chains and data centre users are looking to expand their operations. During 2H, as the COVID-19 pandemic accelerated the shift in consumer purchasing habits to online shopping, Goodman has seen increased demand for both temporary and permanent space from customers in the food, consumer goods and logistics sectors, particularly related to e-commerce operators and those transitioning to online.

Despite the lockdowns and other restrictions that all major economies have experienced in the past few months, there has been relatively limited closure or disruption of Goodman's warehouse facilities and the financial impact on the Group has not been significant in the context of its consolidated results and financial position.

Where the Group's most vulnerable customers have been impacted by the pandemic, then Goodman has worked with them to provide rental assistance, which includes compliance with local legislation. In the majority of cases, assistance has been in the form of rent deferral or lease restructure. To date, the rate of rental delinquency has not had a material impact on the Group.

The directly held properties are primarily in Australia and have potential for significant long-term growth, from the redevelopment to more intense or higher and better uses. The increase in earnings from the directly held properties was mainly driven by the completion of developments with some underlying rental growth.

The more significant component of the Group's investment earnings is from its cornerstone interests in the managed Partnerships, where earnings from the stabilised assets increased by \$48.6 million to \$346.7 million compared to the prior year. In addition to the favourable impact of foreign currency translation on the overseas earnings, there were two main operational factors for this increase. The first was the stabilisation of developments during both FY19 and FY20. Goodman has continued to be a net investor in the Partnerships to fund developments and new acquisitions. The second was the rental income growth from existing stabilised properties. Net property income from the Partnership portfolios was up 3% on a like for like basis in FY20 compared to FY19. Occupancy remained stable and was 97.5% at 30 June 2020 (2019: 97.6%).

The returns from the Partnerships are also impacted by the level of debt in each Partnership. Gearing has been maintained at the lower end of target ranges, which continues 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. However, during FY20 certain of the Partnerships did raise new debt, including the first debt issuance by Goodman North America Partnership (GNAP). The operating return on Goodman's investment in the stabilised portfolios held by the Partnerships was 4.9% compared to 4.9% in FY19, as growth in net property income and the capital management initiatives in the Partnerships offset the impacts of the valuation growth that increased the investment base.

During FY20, the Group's share of property valuations from the stabilised portfolios (pre deferred tax) was \$551.1 million, including valuation uplifts on new developments that reached completion. Valuation gains occurred across all the Group's regions, a combination of both capitalisation rate compression and the growth in rental income. At 30 June 2020, the WACR for the Group's portfolios was 4.9%, compared to 5.1% at the start of FY20.

Management

Management earnings in FY20 of \$511.2 million increased by 8.8% compared to the prior year and comprised 34% of total operating earnings (2019: 35%). The translation of the overseas earnings had a favourable impact compared to the prior year, however, the main driver of management earnings was the increase in external AUM.

During FY20, external AUM increased by 12% to \$48.0 billion from \$42.9 billion as set out below:

External assets under management

	2020 \$B
At the beginning of the year	42.9
Acquisitions	2.0
Disposals	(1.4)
Capital expenditure (developments)	1.5
Valuations	2.9
Foreign currency translation	0.1
At the end of the year	48.0

Base management fee income, earned from the overall management of the Group's Partnerships, increased in line with the external AUM. This was supplemented by both property services income, which increased in line with the gross property income in Partnerships, and other income such as leasing fees and transactional fees.

In addition, the consistently high Partnership returns over the past few years again resulted in a strong contribution from performance fee revenue, which was relatively stable at \$207.2 million (FY19: \$204.3 million). These performance fees arose primarily in Australia/ New Zealand, Asia and Continental Europe.

For FY20, the Partnerships reported average total returns of 16.6% (2019: 15.9%).

Development

In FY20, development earnings were \$575.7 million (excluding revaluation gains), an increase of 13.1% on the prior year and comprised 38% of total operating earnings (2019: 38%). The increase in the Group's earnings was primarily volume driven with the overall project returns relatively consistent with the prior year. Foreign currency translation of overseas earnings also had a favourable impact on earnings compared to the prior year.

The scale of the Group's development projects has continued to grow due to the high value nature of the sites and the complexity associated with development of infill locations. In the final quarter of the year, a number of high value projects commenced such that by 30 June 2020, WIP was \$6.5 billion across 46 projects. During FY20, total project commencing were \$4.5 billion, with completions of \$2.4 billion.

The majority of inventory disposals and fixed price contract income arose in Europe, as Partnerships in Continental Europe generally acquire completed developments from Goodman. In the Group's other operating segments, development earnings are a mix of development management income, including performance related income, and transactional activity, including the Group's share of development profits reported by Partnerships themselves. Consistent with the prior year, the majority of development activity in FY20 was undertaken by Partnerships (79% of WIP at 30 June 2019).

Consistent with the Group's strategy, development activity has been focused on key urban centres, where customer demand is high and the supply of available land is restricted. In locations, such as Japan and North America, this has allowed the Group to commence certain projects prior to pre-lease commitments. Nevertheless, 76% of WIP was pre-committed at 30 June 2020.

Operating expenses

For FY20, operating expenses increased to \$292.3 million from \$267.7 million. The majority of the operating expenses related to remuneration costs which increased to \$203.7 million from \$191.9 million as a result of modest inflation pressure, and the impact of a weaker Australian dollar on the translation of the overseas costs. Headcount was maintained in most divisions, with increases in Continental Europe and the Americas to support the growth in those regions. The Group's aim is to keep base remuneration costs relatively steady, and instead use variable costs to incentivise staff.

Administrative expenses also increased in FY20. In addition to the impact of the weaker Australian dollar on the translation of the overseas costs, the main increases related to compliance costs, insurance premiums and charitable donations. During 2H20, Goodman made additional donations to certain of its charitable partners to help support them during the COVID-19 pandemic and a significant donation to the New South Wales Rural Fire Service to purchase and equip a new helicopter to assist in fighting future bushfires.

Net finance expense (operating)

Net finance expense (operating), which excluded derivative mark to market and unrealised foreign exchange movements, increased to \$70.8 million from \$45.9 million. This was due to lower interest received on the Group's cash and higher borrowing expenses on the Group's foreign denominated loans and derivatives due mainly to the impact of the lower Australian dollar.

Income tax expense (operating)

Income tax expense (operating) for FY20 at \$88.8 million (2019: \$95.1 million) decreased compared to the prior year. A significant proportion of Goodman's earnings related to GIT and its controlled entities, which, as trusts, are "flow through" entities under Australian tax legislation, meaning Securityholders (and not GIT) are taxed on their respective share of income. However, the decrease in the tax expense was primarily due to the nature and location of the Group's development revenues.

Directors' report

Operating and financial review (continued)

Capital management

Interest bearing liabilities

At 30 June 2020, the Group's available debt facilities and fixed rate long-term bonds, which totalled \$4.0 billion (of which \$2.9 billion had been drawn), had a weighted average maturity of 5.8 years. The Group's cash and undrawn bank facilities were \$2.8 billion. Subsequent to 30 June 2020, the Group has initiated the process to redeem bonds of \$253.3 million that were due to expire in 15 April 2021. This is expected to conclude in 14 August 2020.

At 30 June 2020, gearing was 7.5% (2019: 9.7%), which continued to be at the lower end of the Group's policy range of 0% to 25%. Interest cover was 15.3 times (2019: 19.6 times) and the Group continued to have significant headroom relative to its financing covenants. Goodman's credit ratings were unchanged over the period.

During FY20, the Group and its Partnerships refinanced over \$3.1 billion of bank debt and secured third party equity commitments of \$2.5 billion to provide liquidity for ongoing acquisition and development opportunities.

Dividends and distributions

The Group's distribution for FY20 was maintained at 30 cents per security, a pay-out ratio of 52%, with 15 cents paid on 25 February 2020 and 15 cents to be paid on 28 August 2020. This pay-out ratio has assisted the Group in retaining sufficient funds for its ongoing development activity and in keeping gearing at an appropriate level, within the desired range. The distribution reinvestment plan was not in operation during the year.

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

- + Goodman Limited did not declare any dividends during the financial year (2019: \$nil).
- + Goodman Industrial Trust declared and accrued distributions of 26.0 cents per security (2019: 25.0 cents per security), amounting to \$475.4 million (2019: \$453.5 million).
- + GLHK declared and accrued a dividend of 4.0 cents per security (2019: 5.0 cents per security), amounting to \$73.1 million (2019: \$90.7 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 of \$45.2 million (2019: \$146.8 million) related to those assets directly held by Goodman, principally in Sydney, Australia. The uplift in value was due to both rental growth and a contraction in capitalisation rates.

Goodman's share of net gains from fair value adjustments after tax attributable to investment properties in Partnerships was \$591.7 million. While this has decreased from \$746.6 million in FY19, this represents a strong result in the current environment, a reflection of the quality of the property portfolios and the continued customer and investor demand for industrial assets. The valuation uplift in FY20 included \$182 million (2019: \$171 million) from the Group's share of completed and ongoing development activity in the Partnerships.

The majority of the uplift on the stabilised portfolios in FY20 was recorded in the first half of the year. However, despite the economic uncertainty created by the COVID-19 pandemic, the valuations of the Group's portfolios have been in line or slightly increased from pre-COVID levels. In most regions, there has been transactional evidence to support the valuation results at 30 June 2020.

At 30 June 2020, the WACR for Goodman's stabilised property portfolios (both directly held and Partnerships) decreased from 5.1% to 4.9%.

There were no impairment losses associated with the Group's inventories during FY20.

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

The amount reported in the income statement associated with the Group's derivative financial instruments was a net gain of \$6.8 million. Despite the volatility in foreign currency exchange rates during the second half of FY20, this relatively small net impact was due to the fact that the rates at the end the year were similar to those at the start of FY20 for most denominations.

Under the Group's policy, it continues to hedge between 65% and 90% of the net investment in its overseas businesses. Where Goodman invests in foreign assets, it will borrow in that currency or enter into derivative financial instruments to create a similar liability. In so doing, Goodman reduces its net asset and income exposures to those currencies. The unrealised fair value movement of the derivative financial instruments (up or down) is recorded in the income statement; however, the foreign currency translation of the net investment that is being hedged is recorded directly in reserves. In FY20, the movement in reserves attributable to foreign currency movements was a loss of \$26.7 million, a relatively small net impact in the context of the Group's overall foreign net assets.

Other non-cash adjustments or non-recurring items

The principal other non-cash adjustments or non-recurring items for FY20 related to the share based payments expense of \$164.0 million for Goodman's LTIP, down from \$196.6 million in FY19. This decrease primarily relates to the introduction of fixed longer-term earnings per share hurdles associated with the awards made during FY20 and the fact that the Goodman Group security price decreased from \$15.03 to \$14.85 during FY20 compared to an increase from \$9.62 to \$15.03 in FY19. The introduction of the fixed operating EPS hurdle has decreased the likelihood of it being achieved and at 30 June 2020 the Group has assessed this probability to be 50%.

Statement of financial position

	2020 \$M	2019 \$M
Stabilised investment properties	1,797.9	1,756.4
Cornerstone investments in Partnerships	7,807.3	6,920.4
Development holdings	3,140.1	2,991.8
Intangible assets	845.8	840.0
Cash and cash equivalents	1,781.9	1,607.1
Other assets	765.2	797.1
Total assets	16,138.2	14,912.8
Interest bearing liabilities	2,938.5	2,975.0
Other liabilities	1,679.1	1,415.3
Total liabilities	4,617.6	4,390.3
Net assets	11,520.6	10,522.5

The carrying value of wholly-owned, stabilised investment properties increased by \$41.5 million to \$1,797.9 million at 30 June 2020. This was primarily due to valuation uplifts of \$45.2 million during the year, offset by some minor disposals.

The value of Goodman's cornerstone investments in Partnerships, which excludes the Group's share of development assets in the Partnerships, increased by \$886.9 million to \$7,807.3 million, due to the valuation uplifts across the portfolios, stabilisation of developments (primarily in GNAP) and funding for new acquisitions, net of new bank debt facilities or bond issuances by the Partnerships.

Goodman's development holdings, which include the Group's share of development assets in the Partnerships as well as the directly held properties, increased during the year by \$148.3 million to \$3,140.1 million. This was a result of both the increased activity levels that occurred in most regions and valuation uplifts associated with investment properties under development in the Partnerships (primarily in Asia and North America). A number of large projects commenced in the latter part of the year, which resulted in development WIP increasing to \$6.5 billion at 30 June 2020.

At 30 June 2019, the principal goodwill and intangible asset balances were in Continental Europe and the United Kingdom. The movement during FY20 related to changes in foreign currency exchange rates and there have been no impairments or reversals of impairments.

The Group's cash and interest bearing liabilities should be considered together. On a net basis, the liability was \$1,156.6 million at 30 June 2020 compared to \$1,367.9 million at 30 June 2019. This reduction in the net liability reflects strong operating cash inflows, which funded both the Group's net investment in Partnerships and the dividends/distributions to Securityholders. The net cash inflow for FY20 was \$189.6 million.

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

Other liabilities included trade and other payables, the provision for dividends/distributions to Securityholders, fair values of derivative financial instruments that are in a liability position and tax liabilities (including deferred tax). The movement during the year was primarily due to increases in the liability fair values of certain of the derivatives and increased income tax liabilities.

Cash flow

	2020 \$M	2019 \$M
Operating cash flows	1,156.9	827.5
Investing cash flows	(306.4)	(818.2)
Financing cash flows (excluding dividends and distributions)	(114.6)	(320.5)
Dividends and distributions paid	(546.3)	(528.7)
Net increase/(decrease) in cash and cash equivalents held	189.6	(839.9)
Cash and cash equivalents at the beginning of the year	1,607.1	2,406.8
Effect of exchange rate fluctuations on cash held	(3.9)	40.2
Cash and cash equivalents at the end of the year	1,792.8	1,607.1

Operating cash flow

Operating cash flows of \$1,156.9 million increased relative to the prior year and was also higher than the Group's operating profit of \$1,060.2 million.

This was primarily attributable to higher receipts from management activities during FY20.

The net development cash flows were at a similar level to the prior year, although both the gross receipts from development activities and the gross payments for development activities were lower. This arose due to the nature and structure of the development activities – with less development costs being incurred directly by the Group. Instead Goodman undertook more developments in joint ventures or in Partnerships with the Group's share of the funding reported in investing activities.

The distributions received from Partnerships in FY20 were \$462.2 million, increased from \$365.4 million in the prior year. This the main reason for the higher distributions relating to development activities in the Partnerships.

Directors' report

Operating and financial review (continued)

Investing cash flow

Investing cash flows in FY20 primarily related to the net investments in Goodman's Partnerships of \$806.6 million (2019: \$920.6 million). This investment occurred principally in Asia and North America to fund the ongoing development activity in those Partnerships. There were also capital returns from partnerships in Australia and North America of \$428.4 million during FY20 as the Partnerships raised new debt.

The investment property acquisitions of \$234.3 million were in Australia and the United Kingdom, although the United Kingdom property was sold to Goodman UK Partnership (disposal of controlled entities) later in the year. The investment property disposals also related to Australia.

Financing cash flow

Financing cash flows include the drawdowns and repayments associated with Goodman's interest bearing liabilities. The principal financing cash outflows were the distributions paid to Securityholders.

Outlook

The ongoing COVID-19 pandemic has not had a material financial impact on Goodman. For FY21, the business conditions for industrial assets are expected to remain favourable. The Group is strategically well placed given its financial and operational strength.

The Board sets targets annually and reviews them regularly. Overall, the Group expects to achieve operating profit for FY21 of \$1,165 million, which equates to operating EPS of 62.7 cents, up 9% on FY20. Forecasts are subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events.

Development demand continues to increase which has given the Group confidence to accelerate growth in WIP. The development WIP of \$6.5 billion at 30 June 2020 has an average expected duration of about 17 months so the revenue from these projects will emerge during FY21 and FY22. Furthermore, with current customer demand levels and the Group's capacity to meet this demand, the Group believes that there is scope for it to increase its level of development activity materially during FY21, which would see WIP exceed \$7 billion by 31 December 2020. Other prospective projects currently being contemplated would result in this level of WIP being sustained for a prolonged period. This increase in development is projected to contribute to higher total AUM, resulting in growth in both property investment earnings and management earnings over time.

In order for the Group to fund the anticipated increase in the capital allocated to development activities, including funding its share of investment in Partnerships, and to keep the Group's financial leverage at the appropriately lower end of the policy range, the Directors intend to hold the distribution at 30 cents per security for FY21 subject to achieving the anticipated profits.

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

Risks

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

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

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

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

	Risk area	Mitigation
Capital management	Ensuring long-term availability of funding from both investors and financial institutions to support the sustainability of the business and the delivery of Goodman's strategy.	<ul style="list-style-type: none"> + Board approved Financial Risk Management policy + Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Board + Diversification of debt funding sources and maturities + Diversification of investment partners + Change in distribution pay-out ratio consistent with contribution to increasing development workbook
Economic and geopolitical environment	<p>The COVID-19 pandemic is currently forecast to cause the worst global recession since World War II and be more than twice as deep as the recession associated with the 2007-09 global financial crisis. How prolonged this recession will be is uncertain.</p> <p>Geopolitical and geo-economic tensions are still heightened and continue to rise among the world's major powers.</p> <p>The global economic climate and future movements in interest rates present risks and opportunities in property and financing markets and the businesses of the Group's customers which can impact both the delivery of the Group's strategy and financial performance.</p>	<ul style="list-style-type: none"> + Global diversification of Goodman's property portfolios + Focus on core property portfolios in key urban market locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks + Co-investment with local capital partners
Governance, regulation and compliance	Non-compliance and changes to the regulatory environments (including tax) impact Goodman's business, including its reputation.	<ul style="list-style-type: none"> + Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Chief Risk Officer and Compliance Officer + Review of transactions by the Group Investment Committee
People and culture	<p>Retaining the executive management team, who support the sustainability of the business.</p> <p>Maintaining an organisational culture, in a changing workplace environment, commensurate with Goodman's values.</p>	<ul style="list-style-type: none"> + Succession planning for senior executives + Competitive remuneration structures + Performance management and review + Goodman values 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 of development projects by the Group Investment Committee + Goodman defined design specifications, which cover environmental, technological, and safety requirements, protecting against short-term obsolescence + Internal audit reviews with reporting to the Risk and Compliance Committee + Insurance program, both Goodman and general contractor, including project specific insurance + Ongoing monitoring and reporting of WIP and levels of speculative development, with Board oversight including limits with respect to speculative development

Directors' report

(continued)

	Risk area	Mitigation
Disruption, changes in demand and obsolescence	Through advancement in technology and rapid growth in e-commerce (as seen through automation/robotics, driverless vehicles and an increase in demand for data centre use), there is a longer-term risk that warehouses become obsolete and not fit for purpose through their specialisation and/or location.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations support re-usability of property + Adaptable and re-usable building design – ease to reconfigure for another customer + Geographic diversification + Capital partnering transfers risks into Partnerships + Insurance program (both Goodman's and key contractors), including project specific insurance covering design and defects + Long lease terms with prime customers
Environmental and climate change	Failure to properly identify and mitigate both physical and transition risks from climate change, leading 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 including the assessment of individual assets to improve resilience and implementation of sustainability initiatives + Sustainability guidelines for development projects + Review and approval of acquisitions and development projects by the Group Investment Committee and relevant + Partnership Investment Committee, including consideration of climate in due diligence and specification
Asset and portfolio	Inability to execute asset planning and management strategies, including leasing risk exposures, can reduce returns from Goodman's portfolios.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations where customer demand is strongest + Diversification of customer base and lease expiries + Review of significant leasing transactions and development projects by the Group Investment Committee + Capital expenditure programs keeping pace with property lifecycle
Concentration to 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"> + Diversification of customer base and lease expiries + Diversification of capital partners and Partnership expiries
Information and data security	Maintaining security of IT environment and data, ensuring continuity of IT applications to support sustainability and growth and prevent operational, regulatory, financial and reputational impacts.	<ul style="list-style-type: none"> + Reporting of risks and management activity + Proactive monitoring, review and testing of infrastructure + Disaster recovery and business continuity planning and testing

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY

Board of Directors

Ian Ferrier, AM – Independent Chairman

Member of the Audit Committee and Remuneration and Nomination Committee
Appointed 1 September 2003; Tenure 16 years, 10 months
Appointed to the board of GFML on 23 February 2005;
Tenure 15 years, 4 months

Ian is the Independent Chairman of Goodman Limited and Goodman Funds Management Limited (appointed on 28 July 2009 having been Acting Chairman from 28 November 2008) and also Goodman Logistics (HK) Limited (since 22 February 2012). Ian is a Fellow of Chartered Accountants Australia and New Zealand and has in excess of 40 years of experience in company corporate recovery and turnaround practice. He is also a director of EnergyOne Limited (since January 2007) and was formerly the Chairman of Reckon Limited (from August 2004 to July 2018), InvoCare Limited and Australian Vintage Ltd. Ian is also a director of a number of private and public companies.

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

Gregory Goodman – Group Chief Executive Officer

Appointed to the board of Goodman Limited on 7 August 1998;
Tenure 21 years, 11 months
Appointed to the board of GFML on 17 January 1995;
Tenure 25 years, 5 months

Gregory 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. He is responsible for Goodman's overall operations and the implementation of its strategic plan.

He has over 30 years of experience in the property industry with significant expertise in the industrial property arena. Gregory 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.

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

Christopher Green – Independent Director

Member of the Audit Committee
Appointed to the board of Goodman Limited and GFML on 28 April 2019; Tenure 1 year, 2 months

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

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.

Stephen Johns – Independent Director

Chairman of the Audit Committee and Member of the Risk and Compliance Committee
Appointed to the board of Goodman Limited and GFML on 1 January 2017; Tenure 3 years, 6 months

Stephen is an Independent Director of Goodman Limited and Goodman Funds Management Limited. He was appointed Chairman Elect in February 2020 and will assume the role of Chairman upon the retirement of Ian Ferrier at the 2020 Annual General Meeting in November.

Stephen retired as Chairman of Brambles Limited in June 2020 after a period of 16 years on that Board and was previously Chairman of Leighton Holdings Limited and Spark Infrastructure Group. Stephen is also a director of the Garvan Institute of Medical Research.

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

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

Mark Johnson – Independent Director

Member of the Audit Committee
Appointed 1 June 2020; Tenure 1 month

Mark is an Independent Director of Goodman Limited and Goodman Funds Management Limited. 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 is currently Chairman of G8 Education Limited, Hospitals Contribution Fund of Australia and Aurecon Group Pty Ltd. Mark is also a director at Coca-Cola Amatil Limited (since December 2016), Corrs Chambers Westgarth and the Smith Family, and a Councillor at UNSW Sydney. Mark was formerly a director of Westfield Corporation Limited (May 2013 – June 2018).

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.

Directors' report

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

Rebecca McGrath – Independent Director

Chairman of the Risk and Compliance Committee and Member of the Remuneration and Nomination Committee
Appointed to the board of Goodman Limited and GFML on 3 April 2012; Tenure 8 years, 3 months

Rebecca is an Independent Director of Goodman Limited and Goodman Funds Management Limited. Rebecca is also currently Chairman of OZ Minerals Limited (director since November 2010) and a director of Incitec Pivot Limited (since September 2011). Rebecca is also a director of Investa Wholesale Funds Management Limited, and the Independent Chairman of Scania Australia Pty Limited. Rebecca was formerly a director of CSR Limited.

During her executive career at BP plc, she held numerous senior roles in finance, operations, corporate planning, project management and marketing in Australasia, the UK, and Europe. Her most recent executive experience was as Chief Financial Officer of BP Australasia.

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 Program. She is Victorian Council President of the Australian Institute of Company Directors.

Danny Peeters – Executive Director, Corporate

Appointed to the board of Goodman Limited and GFML on 1 January 2013; Tenure 7 years, 6 months

Danny is an Executive Director of Goodman Limited, Goodman Funds Management Limited and Goodman Logistics (HK) Limited. He has oversight of Goodman's European and Brazilian operations and strategy. Danny has been with Goodman since 2006 and has 19 years of experience in the property and logistics sectors. Danny is a director and/or representative of Goodman's investment management entities, subsidiaries and partnerships in Europe and Brazil.

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

Phillip Pryke – Independent Director

Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
Appointed to the board of Goodman Limited and GFML on 13 October 2010; Tenure 9 years, 9 months

Phillip is an Independent Director of Goodman Limited and Goodman Funds Management Limited. He is also a director of Goodman (NZ) Limited, the manager of the New Zealand Exchange listed Goodman Property Trust. Phillip is currently also 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.

Anthony Rozic – Deputy Group Chief Executive Officer and Chief Executive Officer, North America

Appointed to the board of Goodman Limited and GFML on 1 January 2013; Tenure 7 years, 6 months

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

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

Anthony is a qualified Chartered Accountant and has over 20 years' experience in the property industry having previously held a number of senior roles in the property funds management industry and chartered accountancy profession.

Penny Winn – Independent Director

Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed to the board of Goodman Limited and GFML on 1 February 2018; Tenure 2 years, 5 months

Penny is an Independent Director of Goodman Limited and Goodman Funds Management Limited. Penny is also currently a director of CSR Limited (since November 2015), director of Ampol Limited (since November 2015) and director of Coca-Cola Amatil Limited (since December 2019). Penny was formerly the Chair of Port Waratah Coal Services Limited (June 2015 – December 2019).

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

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

Company Secretary

Carl Bicego – Group Head of Legal and Company Secretary

Appointed as Company Secretary of Goodman Limited and GFML on 24 October 2006

Carl is the Group Head of Legal and the 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 degree and Bachelor of Economics/Bachelor of Laws (Hons) degrees.

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		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
	Held ²	Attended	Held ²	Attended	Held ²	Attended	Held ²	Attended
Ian Ferrier	9	9	4	4	5	5	–	–
Gregory Goodman	9	9	–	–	–	–	–	–
Christopher Green	9	9	4	4	–	–	–	–
Stephen Johns	9	9	4	4	–	–	4	4
Mark Johnson ¹	2	2	1	1	–	–	–	–
Rebecca McGrath	9	9	–	–	5	5	4	4
Danny Peeters	9	9	–	–	–	–	–	–
Phillip Pryke	9	9	4	4	5	5	–	–
Anthony Rozic	9	9	–	–	–	–	–	–
Penny Winn	9	9	–	–	5	5	4	4

1. Mark Johnson was appointed as a director on 1 June 2020.

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

Directors' report

Remuneration report – audited (continued)

REMUNERATION REPORT – AUDITED

Dear Securityholders,

On behalf of the Board, we are pleased to present the 2020 remuneration report, outlining Goodman's remuneration strategy and principles.

Goodman's remuneration framework is essential to attracting and retaining high quality professionals with local expertise, who develop businesses and relationships globally and drive Goodman's long-term success. It is integral to the exceptional results delivered for Securityholders.

The past financial year has been marked by enormous challenges for the business and communities. Extreme weather conditions resulting in droughts and bushfires in Australia, followed by the global COVID-19 pandemic in the final months of this financial year caused unprecedented health, social and economic consequences.

Our business plays an important role in providing both essential infrastructure and making a tangible difference to the communities in which we operate, and Goodman has reacted to the crises through increasing support to affected groups.

Social impact grants from the Goodman Foundation and donations from Goodman staff have increased to \$13.7million. This included contributions to the NSW Rural Fire Service and communities affected by the NSW bushfires, as well as Goodman's charitable partners, and Goodman staff also provided 8,600 hours of volunteer assistance. Additionally, the Group has not taken any government relief in Australia (JobKeeper).

Managing the welfare of employees has been a critical consideration in achieving the Group's financial and operational targets. This situation has required practically all employees to work remotely for extended periods of time. Our focus and commitment to keeping our teams motivated and demonstrating genuine support and concern for employees (and their families) have been considerable. Managers within the Group, in particular the senior executives have demonstrated significant levels of leadership, compassion and commitment in their efforts to achieve the Group's commercial objectives.

Goodman is a leading internationally diversified real estate fund manager in the logistics real estate sector. The retention of talent is essential for the long term success of the business and is increasingly challenging as opportunistic competitors seek to recruit Goodman's high-performing teams, in each of our markets. The Group's remuneration policy plays a critical role in helping to ensure that Goodman has the right human resources to deliver our strategy, create the right culture and drive performance for all stakeholders.

Sustained performance

Over more than a decade, the Group has established strong and resilient leadership teams, financial resources and a strategic real estate portfolio, to maximise sustainability of earnings through difficult market cycles. This has allowed us to adapt to the new operating environment with limited disruption and continue to grow for the long term. As a result, the Board is proud that Goodman has performed strongly through this period despite world market dislocation and volatility. Our long-term vision, which includes a strong focus on cash flow, liquidity, and risk management, has been executed consistently and diligently.

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

Total securityholder returns	1 year %	3 years %	5 years %	10 years %
Goodman ¹	-0.4	103.4	169.6	566.3
S&P/ASX 20	-9.6	15.9	21.4	103.8
S&P/ASX 100	-9.5	17.1	31.5	119.0
S&P/ASX 200 A-REIT	-8.1	17.1	32.2	142.0
MSCI World REITs ²	-8.1	8.0	25.5	129.8

Source: Bloomberg/Nasdaq

1. Goodman TSR does not assume reinvestment of distributions.
2. MSCI World REITs index returns measured in USD Goodman.

FY20 results delivered significant outperformance both operationally and for Securityholders while positioning the business for future growth. Despite the market uncertainty, our measured approach over many years has allowed Goodman to retain, and also exceed, previous operating EPS guidance for FY20 and commit to firm operating EPS guidance for FY21. This is in an environment where most of the ASX listed entities have withdrawn FY20 guidance and are not expected to provide guidance for the year ahead. The Board's belief in pay for performance culture is reflected in the challenging hurdles set for FY21 remuneration awards, which if achieved, will have provided Securityholders with top quartile performance and 30% growth in operating profit over the past three years (significantly ahead of consensus expectations for the S&P/ASX 100).

Key performance highlights include:

- + Significant outperformance of the major local and global indices in 2020 and over the medium and longer term (past three and five years)
- + Goodman operating EPS growth materially exceeded targets compared with the S&P/ASX 100, which is expected to show an average -14.4% decline for FY20
- + Statutory profit of \$1.5 billion for Goodman and \$4.8 billion across the combined Group and Partnerships
- + Operating profit of \$1.1 billion (+12.5%) in FY20 for Goodman
- + Significant growth in development work in progress (WIP) up 59% during FY20 to \$6.5 billion at 30 June 2020, positioning the business well into FY21
- + Total assets under management (AUM) increased 12% to \$51.6 billion
- + Substantial revaluation growth of \$2.9 billion across the Group and Partnerships.

Continued improvement and alignment of the Long Term Incentive Plan

As you are aware, in 2019, the Board announced several changes to the remuneration framework which have now been implemented. Specifically, the operating EPS hurdle under the Long Term Incentive Plan (LTIP) is measured over three years from the date of each grant, as opposed to setting annual targets. We have also significantly enhanced our disclosures in support of variable remuneration, rationale for the performance metrics and the comparator sets used in assessing remuneration levels.


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

In line with commentary in prior years, the Remuneration and Nomination Committee has made some additional distinctions in the remuneration approach applied to executive key management personnel (KMP) to further align them with long-term performance. Several years ago, the Group Chief Executive Officer (CEO) agreed with the Board to not receive short-term incentive (STI) but to receive all performance based remuneration in the form of long-term incentive (LTI), to focus on significant long-term alignment of pay with Securityholders' returns. It was also consistent with a responsibility for developing and implementing a long-term strategy and providing leadership in this form of remuneration.

The other executive KMP can be differentiated in their roles and responsibilities where some hold regional responsibilities including specific financial targets and others perform wider global strategic roles. The Board and Remuneration and Nomination Committee have determined that where executive KMP have a greater focus on Group strategy and implementation, they should have a relatively larger proportion of equity based remuneration (as a proportion of total remuneration) and less emphasis on STI. The Board believes that these individuals have more influence on setting and maintaining the Group's strategy and should be increasingly aligned with the long-term outcomes of the Group and returns to Securityholders. This structure also minimises the risk of inappropriate reward or penalisation as a result of market volatility and unexpected market movements over the short term.

We continue to engage in an open and meaningful dialogue with Securityholders and other stakeholders to enhance understanding of our policy and its contribution to Goodman's performance as well as our understanding of Securityholder concerns and local and global market practices. We hope we can rely on your support at our 2020 Annual General Meeting in November.

Yours sincerely,



Ian Ferrier, AM
Chairman



Phillip Pryke
Chairman, Remuneration and Nomination Committee

Directors' report

Remuneration report – audited (continued)

1. REMUNERATION PHILOSOPHY AND LINK TO BUSINESS STRATEGY

Goodman is a globally diversified real estate fund manager and one of the largest listed industrial property managers and developers in the world. Goodman's people are largely based outside Australia, and consequently, Goodman's remuneration structure has some key differences from the Australian market. This reflects the requirements of the labour markets we are competing in globally, not just in Australia, and the objective of aligning multiple regional businesses and operational segments with Group performance outcomes.

The retention of talent is critical for the long term and is increasingly challenging as opportunistic competitors seek to recruit Goodman's high-performing teams, in each of our markets. The Group's remuneration policy plays a critical role in helping to ensure that Goodman has the right human resources to deliver its strategy, create the right culture and drive performance for all stakeholders.

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

Our remuneration framework takes a long-standing partnership approach where Goodman's people participate in the long-term success of the Group alongside Securityholders.

1.1 THE ROLE OF THE BOARD AND REMUNERATION AND NOMINATION COMMITTEE

The Board believes the success of Goodman is primarily due to the depth of talent globally executing a strategy that requires strong collaboration and the culture of inclusion created by the LTIP.

As a result, the Board:

- + Encourages management to take a long-term strategic rather than opportunistic approach to property investment
- + Has overlaid the operational, financial and human strategy in order to create long-term sustainable returns
- + Focuses on the consistency of cash profit as the most tangible means of measuring long-term value creation for Securityholders.

The Board annually considers remuneration with a three to five year view. It considers how the performance of the Group has been influenced by the decisions over the last three to five years and how it expects the business to perform over the next three to five years. It is not solely an exercise in reviewing a single year.

The Remuneration and Nomination Committee has considered the specifics of individual performance, in the context of the COVID-19 environment and collectively in the context of the Group's continued strong performance. Given the nature of the Group's global operations, the Remuneration and Nomination Committee has paid particular attention to the global marketplace and the competitors in that sector. Industrial and logistics real estate, and Goodman's success, has made its people a target for new entrants to the sector and existing competitors looking to emulate the Group's performance. The Remuneration and Nomination Committee believes this requires a wide global remit in order to set competitive remuneration allowing for the strong component of remuneration that is at risk.

1.2 KEY REMUNERATION PRINCIPLES

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).

This changing international landscape will result in Goodman's capital and resource allocations shifting over time, with the aim of delivering the best risk adjusted returns overall albeit this may be to the detriment of one part of the global business and to the benefit of another. 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.

While considered unique in the Australian market, the LTIP reflects several key principles of remuneration at Goodman:

- + Focus on LTI as the predominant source of pay for performance. All employees are eligible to receive LTI grants as a material component of remuneration and are tested using challenging hurdles (see section 2.4.2), 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 reflects cash profits) as the primary testing measure for LTI awards (see section 2.4.1)
- + Collaboration to achieve Group-wide targets across regions and business units
- + A culture of ownership, inclusion and alignment.

This philosophy has enabled Goodman to deliberately position its business over the past decade to maximise sustainability of earnings in varying market cycles that has resulted in consistent long-term security price outperformance.

Directors' report

Remuneration report – audited (continued)

1.3 OBJECTIVES OF REMUNERATION STRATEGY

Attract	Reward
Remuneration structure	Performance conditions
<p>Fixed remuneration</p> <p>Low fixed costs</p>	<p>Scope and complexity of the role, individual absolute and relative comparison in the relevant market and comparator group.</p>
<p>STI at-risk remuneration</p> <p>Group CEO: 0% of remuneration</p> <p>Other executive KMP: 0%-18% of total remuneration</p> <p>For executive KMP: 50% of STI paid in cash after release of full year results and 50% deferred for 12 months</p> <p>STI is an at-risk award for outperformance over the past 12 months.</p> <p>Failure to meet STI gates (i.e. Code of Conduct and operating EPS) will result in zero award.</p>	<p>Gate 1: meeting Goodman behavioural expectation per the Code of Conduct</p> <p>Gate 2: achieving operating EPS target</p> <p>Financial measures</p> <p>The Group's financial objectives vary with strategic priorities but include level of operating EPS growth which is a collective function of:</p> <ul style="list-style-type: none"> - property investment performance - development performance - Partnership performance - sustainable capital management in line with the risk management objectives <p>Non-financial measures</p> <p>A balance of measures that underpin the sustainability of the business including performance to environmental targets, customer satisfaction, Partnership performance, risk management, safety and diversity.</p> <p>Assessment of conduct is continual in the organisation and is a gate to any STI. The Board believes this non-financial objective, in particular adhering to the Code of Conduct, is an absolute and hence applying a specific percentage weighting to each measure is not effective.</p>
<p>LTI at-risk remuneration</p> <p>Rewards long-term sustained performance.</p> <p>New grants will be awarded in FY21 as a result of FY20 performance achievements and assessment of potential future contributions.</p> <p>Issued as performance rights tested over three years and vesting over three to five years.</p> <p>Encourages a more collaborative approach and broader distribution of performance across the entire workforce when the Group is performing, not just for executive KMP.</p>	<ul style="list-style-type: none"> - operating EPS hurdle range (75%) - relative TSR against the S&P/ASX 100 (25%) – this aligns with investors' benchmarks relevant to their holdings and provides closest alignment with their performance.

At-risk remuneration

Long-term alignment of Goodman's people and Securityholders

Alignment with strategy and long-term performance

Real estate investment management and development are cyclical, so fixed employee costs are kept low. Most KMP fixed remuneration has not grown in several years.

STI is an at-risk component, rewarding financial and non-financial performance against objectives of the individual and the Group. Awards have varied from 0% to 100% of the maximum over time and have averaged 57% of maximum allowable over the past five years.

The performance of individuals is assessed through a detailed bottom up performance appraisal process based on contribution to defined objectives that reflect behavioural expectations, annual contribution to results as well as strategic and other contributions where these results or benefits may be reflected in future years. Base salaries for the executive KMP roles are set low versus peers and this is carried through in lower STI outcomes for relevant KMP. The focus on STI as a form of reward has reduced in favour of LTI, in line with a culture and ethos of sustainable outcomes.

Operating profit growth and capital management are of the highest importance in financial assessment. These factors together encourage not only the operating EPS targets being met but also that the method in which they are met matches appropriate risk and quality settings.

This structure is simple and transparent and aligns management with the operating EPS growth expectations of Securityholders.

The weighting to LTI is believed to be the most effective way of rewarding sustained performance and retaining talent.

Despite the impact of COVID-19 the security price has remained stable and underlying performance has exceeded targets. The expected number of performance rights to be awarded in FY21 will be broadly consistent with FY20, and fewer than that vesting in September 2020.

Operating EPS is a critical measure of long-term performance (see section 2.4.1).

Hurdles are set to be competitive and challenging (see section 2.4.2) relative to external and internal reference points.

The relative TSR and operating EPS hurdles interact as TSR impacts the value of all performance rights. Given the significant skew in remuneration to performance rights, the impact of the TSR hurdle is greater than its 25% weighting in that TSR provides an effective check against increasing risk practices within the Group. The price to earnings multiple attributable to securities will reflect the perceived risk in achieving operating EPS targets, which impacts the likelihood of vesting and the ultimate value upon vesting.

The total number of equity settled performance rights outstanding under the LTIP equates to 3.4% of the Group's issued securities. The proposed number of FY21 awards (both equity and cash settled) is 0.9% of the total securities on issue.

The maximum number of performance rights under the LTIP is limited to 5% of the Group's issued securities.

Directors' report

Remuneration report – audited (continued)

2. EXECUTIVE REMUNERATION FRAMEWORK

2.1 PEER GROUP AND QUANTUM ASSESSMENT

As in previous years, the Board and Remuneration and Nomination Committee have considered the entire enterprise of the Group and its Partnerships globally, when assessing the executives roles.

In this context, Goodman:

- + Is an international real estate fund manager
- + Manages and creates value in respect of \$51.6 billion of assets globally
- + Manages capital allocation and funding across various activity types, which is sourced from multiple sophisticated markets and jurisdictions
- + Is one of the largest developer of logistics real estate in the world, with a current WIP of \$6.5 billion of new product
- + Generated a combined statutory profit across the Group and Partnerships of \$4.8 billion in FY20
- + Is the 13th largest entity listed on the ASX and is a member of the S&P/ASX 20 index
- + Generates 72% of 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 72% of earnings from international markets with 70% of employees situated offshore.

The Group has limited direct comparable real estate market peers in Australia, having operating businesses in five continents and 17 countries, each with market driven remuneration outcomes. The Group's 958 staff (at 30 June 2020) are mostly offshore, and consequently Goodman competes for labour in an international market, which the Board considers when assessing the quantum of remuneration awards.

2.1.1 PEER GROUP COMPARATORS AND CONSIDERATIONS FOR THE GROUP CEO

The comparisons of various peer groups, chief executive officers' and the Goodman CEO remuneration, have been considered by the Board in the context of the underlying remuneration structure, determining the components and the hurdles which apply.

Peer group comparator	Reason for comparison	Annual CEO remuneration ¹				% LTI	1 year TSR ³	3 years TSR ³	5 years TSR ³
		Range	Average	Median					
Goodman	Goodman CEO	n/a	\$15.5m	\$15.5m	91%	0%	103%	165%	
S&P/ASX 20	Goodman is number 1 ³ in the S&P/ASX 20 index.	\$6m-\$22m	\$11m	\$9m	51%	-11%	21%	49%	
Selected ASX listed entities with global operations	72% of GMG earnings are outside Australia. The comparator group provides a reference for local companies operating offshore in a number of industries.	\$5m-\$22m	\$11m	\$10m	43%	-4%	37%	83%	
Global REITs including Australia ²	Goodman is the largest constituent of the Australian S&P/ASX REIT index (by market capitalisation) and is three times the size of the second largest. Goodman is one of the largest listed developers of logistics space globally and one of the largest global industrial property entities.	\$5m-\$44m	\$15m	\$10m	72% ⁴	-2%	37%	83%	

1. Reflects fixed base pay and the face value of the intended award of performance rights, using the closing Goodman security price of \$14.85 at 30 June 2020. Peer group comparator information is calculated using ISS pay benchmarking data and methodology.
2. TSR reflects the MSCI World REITs index measured in USD.
3. Median TSR for the relevant peer group comparator.
4. Excluding Prologis, the LTI as a percentage of total remuneration is c50%.

Private equity managers were also considered for comparison, particularly with respect to the nature of pay for performance remuneration structures in those types of enterprises but were not cited as direct comparisons for quantum setting purposes.

For many entities, returns in FY20 are likely to have been significantly dislocated given the impact of COVID-19 which should be taken into account when assessing the comparator group.

When assessing the Group CEO's remuneration for FY20 the components considered by the Board are:

- + Current fixed base pay
- + Performance rights to be awarded in FY21 (subject to securityholder approval) to be tested over FY21 – FY23 and vesting in FY24 – FY26.

The assessment of the value of the performance rights referred to in this section uses face value metrics, as opposed to the economic value. This is common market practice. That is, no discount has been applied to the attributed value of performance rights for vesting risk or time value of money. The Board has considered the total remuneration noting in its determination that the comparability of other remuneration schemes is limited, particularly as it relates to:

- + Proportion at risk – fixed pay is significantly lower in absolute terms and represents only 9% of total potential remuneration for FY20. As in previous years the Group CEO will not participate in the STI award or any other form of variable cash remuneration (comparatively, the market average fixed pay and STI is approximately 50% of total remuneration)
- + 91% of his remuneration for FY20 performance will be taken in the form of performance rights, the ultimate value of which is at risk. By way of comparison, the average proportion of remuneration in LTI for the S&P/ASX 20 and S&P/ASX 100 is 51% and 48% respectively.

This means that the Group CEO would not receive any LTI in respect of his performance for FY20 if the Group did not meet its performance hurdles under the LTIP over the next three years. Furthermore, the ultimate value of the award will be subject to Goodman's security price performance over the next five years. Full remuneration for performance in FY20 will only be realised if these conditions are satisfied, and Goodman's performance is at least sustained until FY26.

This results in a more significant portion of the Group CEO's remuneration that is at risk compared to most other ASX listed entities.

The Board considers Goodman's remuneration awards have been set on the basis that the hurdles set for the FY21 performance rights awards are significantly more challenging than relative to the FY20 awards. This is due to the more uncertain and volatile operating ESG expected in the future (see section 2.4.2 on proposed FY21 LTIP EPS grant targets).

2.2 REMUNERATION COMPONENTS FOR EXECUTIVE KMP – CONTINUED ENHANCEMENTS

The Remuneration and Nomination Committee has continued to make improvements to the structure of remuneration. In FY20, the Board made some additional distinctions in the remuneration approach applied to individual KMP to further align them with long-term performance. Several years ago, the Group CEO agreed with the Board that he would not participate in the STI scheme and any performance based remuneration would be in the form of LTI, to increase long-term alignment of pay with Securityholders' returns. It was also consistent with the Group CEO's responsibility for developing and implementing a long-term strategy.

The Board believes the other executive KMP can be differentiated in their roles and responsibilities where some hold specific regional responsibilities and others perform wider global strategic roles.

The Board has determined that:

- + Nick Kurtis (Group Head of Equities), Michael O'Sullivan (Group Chief Risk Officer) and Nick Vrondas (Group Chief Financial Officer) who have a greater focus on Group strategy and implementation should have a relatively larger proportion of equity based remuneration (as a proportion of total remuneration) and less emphasis on STI. The change reflects that these individuals have more influence on the setting and maintaining the Group's strategy and should be increasingly aligned with the long-term outcomes of the Group and returns to Securityholders
- + Anthony Rozic (Chief Executive Officer, North America) and Danny Peeters (Executive Director, Corporate) with regional operational responsibilities continue to have a more balanced weighting to STI in line with the current approach. Their STI remuneration is also expected to be more variable reflecting annual achievements.

On that basis, STI awards for executive KMP (excluding the Group CEO) have declined by 27% compared with FY19, while LTI awards have increased 12% from the FY19 levels. Overall remuneration awarded for these executive KMP has been set with reference to the individual achievement, market comparatives, and the proportion of remuneration at risk for each executive KMP.

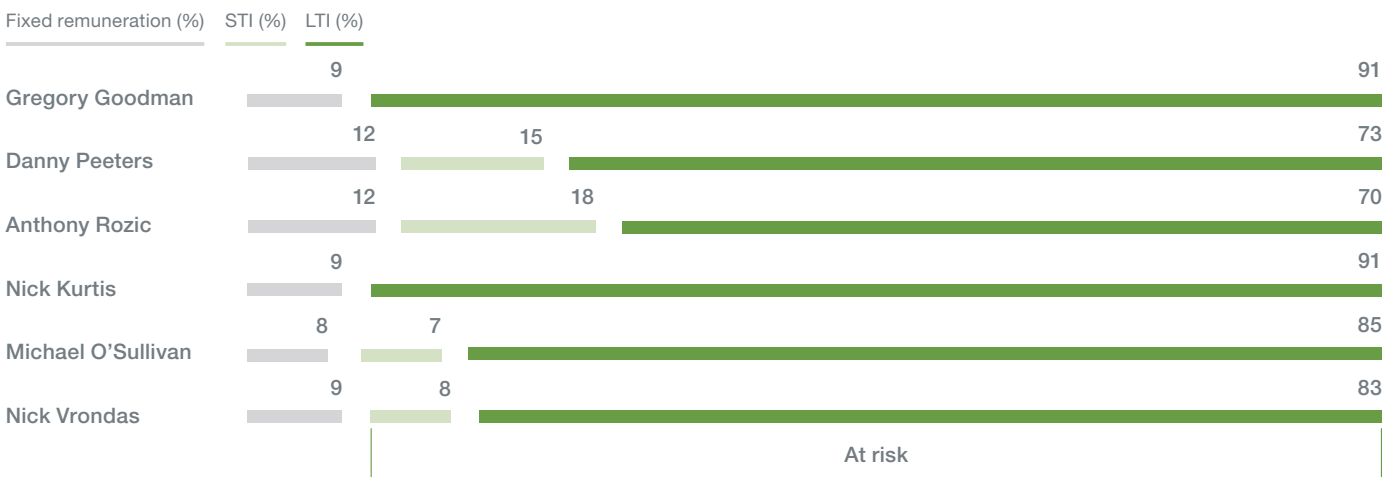
There are no changes to fixed remuneration levels for executive KMP in FY21.

Directors' report

Remuneration report – audited (continued)

The chart below illustrates the components of KMP remuneration using:

- + Current fixed base pay
- + The STI outcome
- + An LTI award value using 100% of intended grant to be made in FY21 at \$14.85 per right, which was the security price at 30 June 2020.

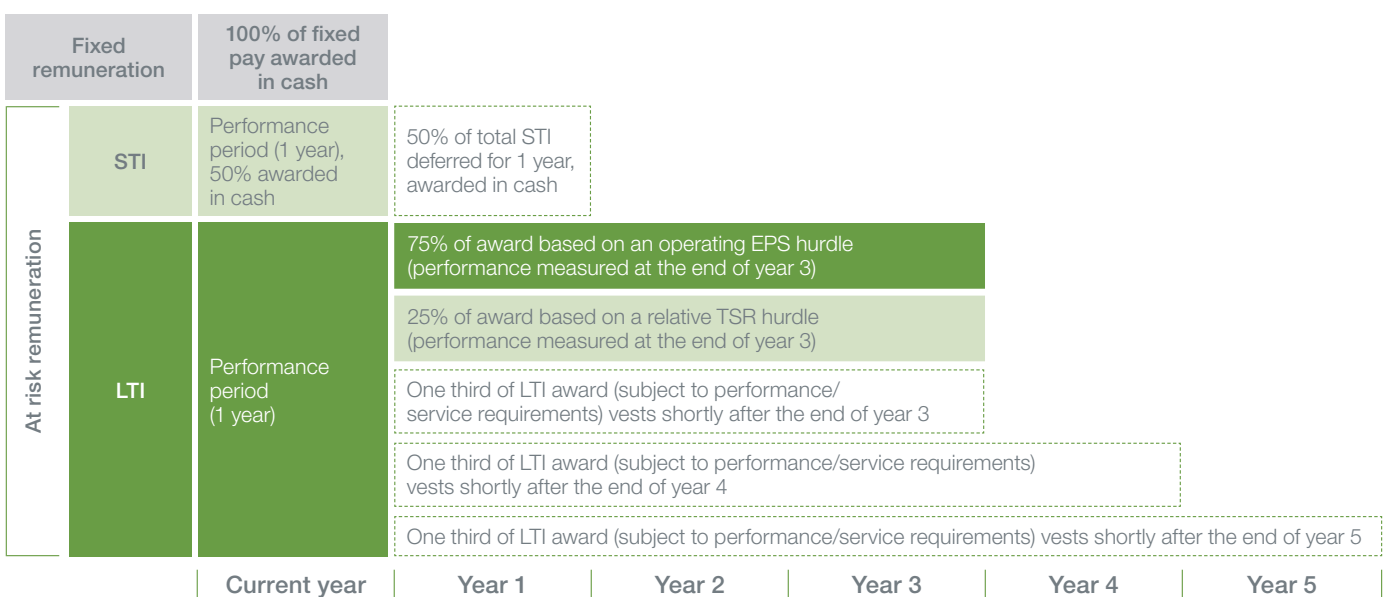


This chart reflects the significant level of overall remuneration that is at risk. This analysis is different to both the statutory presentation of remuneration and the vested remuneration, which are detailed later in the remuneration report.

2.2.1 WHEN IS REMUNERATION EARNED AND RECEIVED?

Performance goals must be achieved over a period of three years to qualify for performance based pay. Vesting then occurs in equal tranches from years three to five. However, there is no certainty of vesting and the outcome is dependent on the movement in the security price over the next five years.

The chart below illustrates the timing of receipt of the remuneration components. It demonstrates the requirement for sustained operational performance over five years from the end of FY20 for the performance based remuneration to vest. This is further emphasised by a significant proportion of the executive KMP remuneration that is in the form of LTI.



2.3 STI

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

Questions	
Who is eligible to participate in the STI?	<p>All full-time and part-time permanent employees.</p> <p>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.</p> <p>Nick Kurtis (Group Head of Equities), Michael O'Sullivan (Group Chief Risk Officer) and Nick Vrontas (Group Chief Financial Officer) have agreed with the Board to forgo varying portions of their STI awards in exchange for LTI, to emphasise reward for long-term decision making across the organisation.</p>
What is the form of the STI award?	<p>Cash. For executive KMP, 50% of the STI award is paid on finalisation of Goodman's full year result.</p> <p>50% of the STI award is deferred and paid in cash after a period of 12 months and the deferred STI amount is subject to forfeiture under malus provisions (see below).</p>
What is the maximum award participants may earn?	<p>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.</p>
How is the STI earned?	<p>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 but challenging and appropriate. Targets will vary over time, through cycle and strategy, to ensure they remain contemporary.</p> <p>STI for all staff is subject to: (1) meeting behavioural expectations under the Group Code of Conduct; and (2) achieving operating EPS (based on the annual forecast for the relevant year). Securityholder returns are prioritised.</p>
How is the individual STI award determined?	<p>STI rewards annual performance against objectives of the individual and the Group.</p> <p>The Group objectives include multiple factors as set from time to time, dependent on the market and strategy of the Group. These primarily fall into five groups:</p> <ul style="list-style-type: none"> – property investment – development – management – capital management and – corporate and social responsibility. <p>Adherence to the Group's core values is a minimum hurdle for the STI to vest and the Remuneration and Nomination Committee looks at conduct and specific judgements are made in relation to this.</p> <p>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.</p>
Is there malus/clawback?	<p>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.</p>
Is STI deferred into equity?	<p>No. A much greater portion of remuneration for KMP is in the form of LTI (equity) than 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.</p>
What happens to STI upon termination?	<p>For all 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). The Board has discretion to pay deferred STI in certain circumstances, where employees leave the Group with good leaver status due to personal circumstances or due to permanent disablement or death.</p>

Directors' report

Remuneration report – audited (continued)

2.3.1 CODE OF CONDUCT

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 and hence all remuneration is subject to meeting these requirements.

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 the Group's customers and other team members. Employees are assessed continually against these principles. 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 the Group's policies
- + Respect confidentiality and do not misuse information
- + Manage conflicts of interest
- + Strive to be a great team member

The Board also believes that ownership through the LTIP embeds a culture of inclusion and sense of place in Goodman and that this has been strongly reflected in the Group's performance over many years and particularly through COVID-19. While assessment is continual, the Code of Conduct is a gate to an individual's eligibility to receive a STI and LTI at the time of assessment. The Board believes that this is an absolute requirement and hence applying a fixed percentage reduction to the measure is less effective.

The proportional impact of this measure on STI can be anything from 0% to 100%, as any breach of the Code can have levels of severity ranging from cessation of employment to minor performance issues which can be managed and rectified and may require varying levels of financial impact, training and/or personal development.

Directors' report

Remuneration report – audited (continued)

Questions specific to the intended FY21 grant

What are the vesting conditions for FY21 grants?	Operating EPS tested (75% of grant)	Relative TSR tested (25% of grant)
	<p>The Board has set an operating EPS performance hurdle of growing operating EPS from the FY20 result of 57.5 cents to between 68.5 cents (Threshold level) and 74.5 cents (Upper level) in FY23. Vesting of 25% of the operating EPS portion occurs upon satisfying testing conditions at the Threshold level with a sliding scale up to 100% at the Upper level. The range is equivalent to between 6% and 9% Compound Annual Growth Rate (CAGR) in operating EPS or approximately 19% to 30% cumulatively over the three year testing period.</p>	<p>TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period:</p> <ul style="list-style-type: none"> – 50% of awards vest for performance at the 51st percentile – Awards vest on a sliding scale between 50% and 100% for performance between the 51st and the 76th percentile – 100% of awards vest for performance at the 76th percentile or above.
Can the hurdles be adjusted?	No	No

Questions specific to the FY20 grant

What are the vesting conditions for FY20 grants?	Operating EPS tested (75% of grant)	Relative TSR tested (25% of grant)
	<p>The Board set an operating EPS performance hurdle of growing operating EPS from the FY19 result of 51.6 cents to between 61.4 cents (Threshold level) and 66.8 cents (Upper level) in FY22. Vesting of 25% of the operating EPS portion occurs upon satisfying testing conditions at the Threshold level with a sliding scale up to 100% at the Upper level. The range is equivalent to between 6% and 9% CAGR in operating EPS or approximately 19% to 30% cumulatively over the three year testing period.</p>	<p>TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period:</p> <ul style="list-style-type: none"> – 50% of awards vest for performance at the 51st percentile – Awards vest on a sliding scale between 50% and 100% for performance between the 51st and the 76th percentile – 100% of awards vest for performance at the 76th percentile or above.
Can the hurdles be adjusted?	No	No

Questions specific to outstanding historic grants made between FY16 and FY19

What are the vesting conditions for prior grants (FY16 – FY19) currently outstanding?	Operating EPS tested (75% of grant)	Relative TSR tested (25% of grant)
	<p>Operating EPS awards are subject to achievement of a cumulative operating EPS hurdle, which is the combination of three years' individual operating EPS hurdles. This ensures that the appropriate balance between short and long-term challenges is incorporated. With the vast majority of remuneration through LTI, the focus remains on sustainable performance.</p> <p>Targets are disclosed to the market each year and are equal to the forecast operating EPS. For FY21, this is 62.7 cents as it relates to the FY19 award. Performance conditions for the FY16, FY17 and FY18 awards which have outstanding tranches, have already been tested. See Section 3.5.2 for details of testing results for FY18 awards.</p>	<p>TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period:</p> <ul style="list-style-type: none"> – 50% of awards vest for performance at the 51st percentile – Awards vest on a sliding scale between 50% and 100% for performance between the 51st and the 76th percentile – 100% of awards vest for performance at the 76th percentile or above.

2.4.1 OPERATING EPS – LONG-TERM CASH FLOW ALIGNMENT WITH VESTING OUTCOMES

The Group provides statutory profit disclosure in accordance with Australian Accounting Standards, including all required specific disclosures. The Board believes that managing the business, on what is primarily a cash profit basis, is fundamental to long-term resilience and is the strongest determinant of value creation over time. That is the intent of the operating profit definition. The measure has been consistently applied since being adopted in 2005.

- + Operating profit intentionally excludes non-cash measures. In addition, in the past, 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 long-term earnings
- + The share based payments (SBP) expense reflects the amortisation of the aggregated fair value applicable to outstanding performance rights. It is disclosed and expensed in the Group's statutory accounts per the accounting standards. The SBP expense is excluded from the Group's operating profit, like other non-cash items (such as revaluations). It is also excluded from regional budgets, as the expense is volatile and has no linkage to operational outcomes
- + Outcomes for employees through the LTIP and equity performance are directly aligned with the long-term cash profit growth of the business defined as operating EPS, which is believed to be the real driver of performance
- + Operating EPS is a transparent driver of employee behaviour providing a key link between the generation of operational outcomes at an individual level and the overall outcomes directly reflected in operating EPS, which drives Securityholder value.

Importantly for Securityholders, the Board believes that SBP:

- + Have no impact on Securityholder value until they vest when they dilute net tangible assets (NTA) and future earnings
- + Do not reflect the cost of the plan to Securityholders or the true value to employees
- + Increase volatility and decrease earnings transparency on a short-term basis depending on movements in security price, subjective assessments and other valuation parameters. (The Group's SBP expense decreased 17% in FY20 compared to FY19).

Furthermore, any dilution to Securityholders through the potential issuance of securities under the LTIP is allowed for in the operating EPS assessment, as the weighted average number of securities includes the securities on issue plus those performance rights that at the start of each financial year had met the three year operating EPS and TSR hurdles but had not yet vested. The Board considers this to be conservative as prior to vesting, performance rights have no entitlement to income or net assets, and therefore there is no dilution to Securityholders.

- + The financial impact of the performance rights occurs only when securities are issued, through the future operating EPS dilution
- + Not all performance rights necessarily vest. This can only occur if testing criteria are met and by extension, the Group's performance has achieved or exceeded performance criteria

- + Following successful testing at year three, only one third of the tested performance rights vest at that time. The remainder have no rights until they vest, following the end of years four and five.

2.4.2 OPERATING EPS HURDLES FOR PROPOSED FY21 AWARDS

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

The Board has set an operating EPS performance hurdle for FY21 of growing operating EPS from the FY20 result of 57.5 cents to between 68.7 cents (Threshold level) and 74.5 cents (Upper level) in FY23. At the Threshold level, 25% satisfy the hurdle with a sliding scale up to 100% satisfying the hurdle at the Upper level. This range is equivalent to between 6% and 9% CAGR in operating EPS or approximately 19% to 30% cumulative over the three year testing period.

Despite market uncertainty, Goodman has committed to firm operating EPS guidance for FY21. This is in an environment where most of the ASX listed entities have withdrawn or reduced guidance and are not expected to give guidance for the year ahead.

The effective CAGR hurdle is the same as for FY20 awards, but the Board believes the FY21 hurdle is significantly more challenging given the current economic environment. The hurdle is set for the entire period of the grant and hence performance must be achieved regardless of changes to business conditions globally. Management and other employees carry the risk associated with external factors negatively impacting operating earnings and in the Board's view this risk has increased due to the unknown impacts of the current pandemic.

The range has been set with particular reference to:

- + Analyst current consensus expectations of CAGR in operating EPS of c5% for Goodman over three years compared with the Threshold at 6% for 25% vesting and Upper level at 9% for 100% vesting
- + The range of potential real estate opportunities for the Group globally, given Goodman's risk parameters and concentrated locations
- + The long-run historical performance of the Group
- + The global economic environment, noting the uncertainty around COVID-19 induced economic malaise, that the current rate of inflation in Australia and the major markets in which Goodman operates globally is around 1% per annum and the current 10 year rate of interest on government securities in Australia and most major markets is below 1% per annum.

Directors' report

Remuneration report – audited (continued)

The Board also notes that:

- + The Group's FY20 operating EPS growth (which sets the base year for hurdles) was 11.4% (ahead of original target at 9%)
 - The S&P/ASX 100 consensus forecast average of a -14.4% EPS decline for FY20
 - This significant reduction in FY20 EPS for the S&P/ASX 100 will likely give the appearance of higher future growth rates (off the lower base). Despite Goodman's resultant relatively higher starting point, the Group must still deliver significantly higher growth than the S&P/ASX 100 consensus forecast average to achieve the operating EPS Threshold hurdle (where only 25% of securities vest).

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

LTI hurdle period (estimated)	EPS (cents)	CAGR in EPS	Cumulative growth in EPS FY21 – FY23 ¹	Cumulative growth in EPS FY20 – FY23 ²
S&P/ASX 100		4.8%	15%	-1%
S&P/ASX 200 A-REIT (excluding Goodman)		0.3%	1%	-3%
Goodman consensus forecast		5.6%	17.8%	31%
Proposed Threshold level	68.5	6%	19%	n/a
Proposed Upper level	74.5	9%	30%	n/a

Economic indicators	Australia (% per annum)	United States (% per annum)	Europe (% per annum)
10 year bond rate	0.9	0.6	-0.5
Inflation rate	2.2	0.6	1.3

Sources: Nasdaq, FactSet

1. Three years to FY23 (FY20 base year)
2. Four years to FY23 (FY19 base year), which incorporates FY20 operating EPS to highlight the impact of COVID-19 on performance. In order to meet the proposed operating EPS Threshold and Upper levels in respect of the intended FY21 awards, Goodman would need to achieve cumulative operating EPS growth over the four year period of 33% and 45%, respectively.

3. REMUNERATION OUTCOMES AND THE LINK BETWEEN PERFORMANCE AND REWARD

Despite the significant headwinds caused by the global pandemic, the Group has recorded another year of material outperformance, both of its external relative targets and its internal operational targets. FY20 ended amid significant market volatility due to COVID19 however, while Goodman's security price has not been immune to the volatility in equity markets, its relative performance in FY20 continued to be significantly ahead of its peer groups, following 10 years of outperformance.

Importantly, all employees at Goodman are eligible to receive a proportion of their remuneration in performance rights which are deferred for five years and require challenging operational targets to be met in order to be received. This results in all employees having an ongoing significant exposure to Goodman equity performance which has ensured the strong alignment of employees with Securityholders. This is a long-standing feature of Goodman's remuneration approach and the Board believes it is an important factor in operating through market cycles.

3.1 GROUP FY20 HIGHLIGHTS

	Financial
	Statutory profit of \$1,504.1 million for Goodman and \$4.8 billion for the combined Group and Partnerships
	Operating profit of \$1,060.2 million (up 12.5% on FY19)
	Operating EPS of 57.5 cents (up 11.4% on FY19)
	Maintained distribution of 30.0 cents per security
	Net tangible assets (NTA) per security increased 9.4% to \$5.84 per security
	Operational property investment, management and development
	High occupancy maintained at 97.5% and like for like net property income growth of 3%
	Total AUM of \$51.6 billion (up 12% on FY19)
	Significant outperformance by the 15 Partnerships achieving average returns of 16.6%
	Development WIP increased 59% to \$6.5 billion and expected to grow in FY21, with higher pre-commitment levels and 15 year weighted average lease term
	People and culture
	All permanent employees are equity owners through the LTIP
	Significant community impact made by the Goodman Foundation, with contributions from the Foundation and Goodman staff more than doubling to \$13.7 million and Goodman people around the world volunteering 8,600 hours of their time
	Implemented additional strategies to improve labour standards, improved fair work practices, improve ethical standards in the business community and eradicate potential instances of modern-day slavery in the Group's supply chains
	LEAD safety performance metrics highlight further reduced safety non-conformances in Goodman's projects and asset management operations
	99% of employees assessed as demonstrating Goodman values
	Environmental
	Implementation of Goodman's 2030 sustainability strategy that focuses on the Group's material environmental, social and governance priorities and twelve pivotal sustainability targets
	Goodman targeting net zero operational carbon emissions and 400MW of solar installations globally by 2025
	Global climate risk assessment completed in accordance with Taskforce on Climate-Related Financial Disclosures (TCFD)
	Goodman awarded the Global Sector Leader in the 2019 Global Real Estate Sustainability Benchmark (Developer – Industrial category)
	Capital management
	Maintained significant Group available liquidity at \$2.8 billion, including \$1.8 billion in cash
	Significant business growth while maintaining low gearing at 7.5%
	Group and Partnerships completed debt refinancing transactions totalling \$3.1 billion

Directors' report

Remuneration report – audited (continued)

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

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

This has included specific actions over successive years, including:

- + Significant reduction in financial leverage (gearing) over the last decade from 47.9% to 7.5%
- + Increased quality of the property portfolio through over \$23 billion of asset sales since 2013 concentrating the portfolio in predominantly urban infill markets and providing funding for the development of new buildings
- + Diversification of the Group's sources of debt and tenor
- + Reduced operational risk through undertaking more development activity in Partnerships, which has reduced volatility of earnings but increasing return on assets for the Group. The impact of increased development within the Partnerships has increased their returns and the prospects for performance fees in the medium to longer term
- + Significant sales of assets that were reconfigured for higher and better residential use. On these transactions, the substantial profit was not included in operating profit despite being cash realised gains as they were believed to be over and above the usual course of business
- + Maintained a conservative distribution pay-out ratio to retain funding for growing development demand.

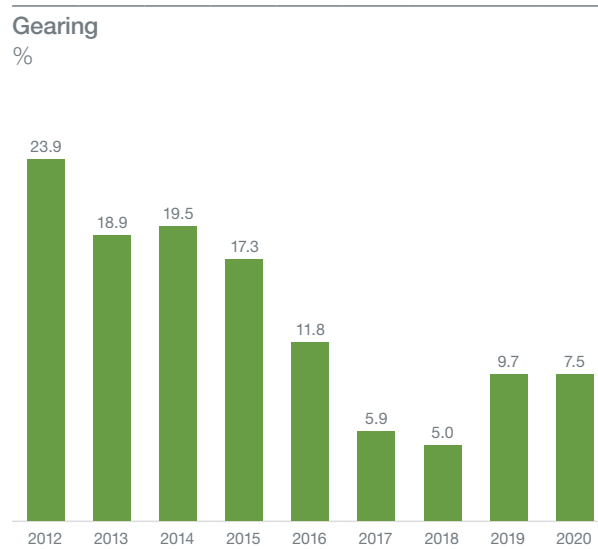
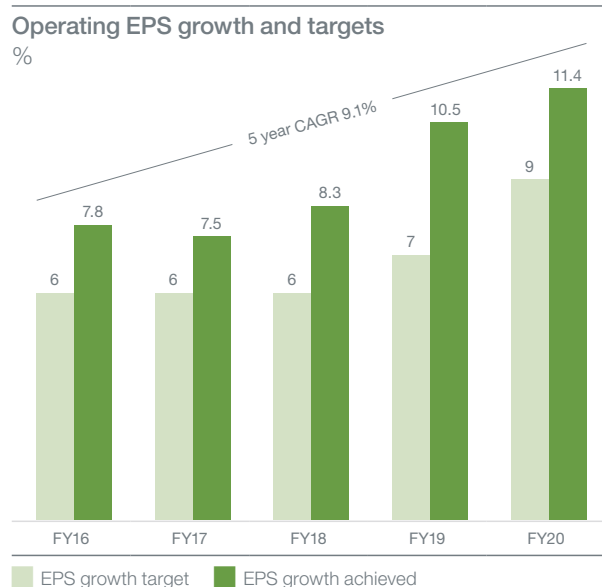
The resilience of the Group through this period, is in large part due to this strategic long-term thinking and incentivising employees through equity linked to sustained operational performance over a long period.

3.2 FINANCIAL MEASURES

Performance measures	FY15	FY16	FY17	FY18	FY19	FY20
Operating profit (\$M)	653.5	714.5	776.0	845.9	942.3	1,060.2
Operating EPS (cents)	37.2	40.1	43.1	46.7	51.6	57.5
Operating EPS growth (%)	6.9	7.8	7.5	8.3	10.5	11.4
Security price as at 30 June (\$)	6.27	7.11	7.87	9.62	15.03	14.85
Distributions per security (cents)	22.2	24.0	25.9	28.0	30.0	30.0
TSR (%)	30.0	17.0	14.2	26.0	59.4	-0.4
3 year TSR growth (\$B) ¹	3.8	5.1	4.4	6.1	14.6	13.5
NTA per security (\$)	3.46	4.10	4.21	4.64	5.34	5.84
Growth in NTA (\$B)	1.1	1.2	0.2	0.9	1.3	1.0
Gearing (%)	17.3	11.8	5.9	5.1	9.7	7.5
AUM (\$B)	30.3	34.1	34.6	38.3	46.2	51.6
Market capitalisation premium to NTA (\$B)	4.9	5.4	6.6	9.0	17.6	16.5

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

The key financial metrics which are aligned with the Group’s strategy, long-term performance and STI and LTI programs for all employees are operating EPS and relative TSR. CAGR in operating EPS over the past five years has been 9.1%, which has exceeded the forecasts and therefore the hurdles. This has been achieved while at the same time reducing gearing.



3.3 TOTAL RETURNS COMPARISON

Goodman was the largest global real estate fund management entity listed on the ASX at 30 June 2020 and one of the world’s largest developers of logistics Real Estate.

The chart below show the Group has significantly outperformed the S&P/ASX 20, S&P/ASX 100 and S&P/ASX 200 AREIT indices over the past one, three and five years.

Securityholder return relative performance



Directors' report

Remuneration report – audited (continued)

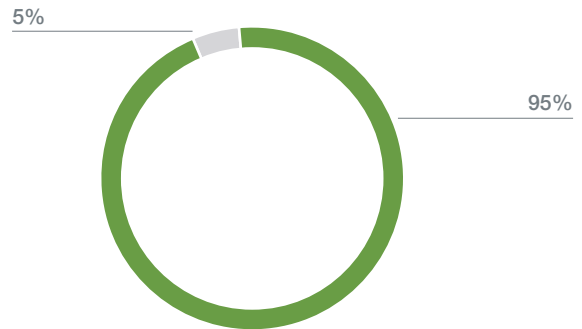
3.4 REMUNERATION MIX ALIGNMENT ACROSS THE GROUP

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

The portion of remuneration at-risk (FY20 STI and performance rights that vested in FY20) as a proportion of total remuneration for the Group CEO, the other executive KMP and the remainder of employees, is illustrated in the charts below. They show strong alignment between Securityholders and all employees as the remuneration received as depicted below requires five years of continued performance. Future remuneration outcomes will depend on the Group achieving its hurdles over the long term and the security price.

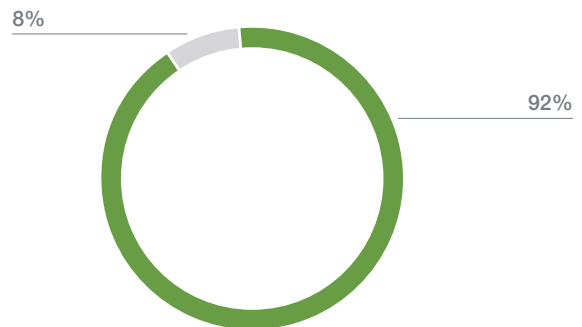
Vested remuneration is often considered by stakeholders as it represents the value that is actually received by the KMP during the year. It includes fixed base pay, STI and the value of performance rights that actually vested during the year as a result of grants made in prior periods, using the closing Goodman security price on the day of vesting.

Group CEO FY20 remuneration



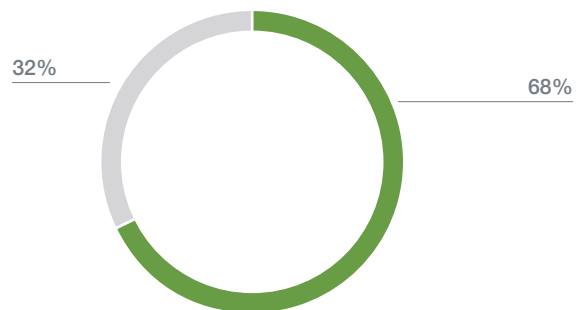
■ STI and LTI ■ Fixed remuneration

Executive KMP (excluding Group CEO) FY20 remuneration



■ STI and LTI ■ Fixed remuneration

All employees (excluding executive KMP) FY20 remuneration



■ STI and LTI ■ Fixed remuneration

3.5 GROUP PERFORMANCE AND REMUNERATION OUTCOMES

3.5.1 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 FY20 performance will be awarded in the form of LTI.

Given the global nature of the Group's operations the recommendations for each 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.

In FY20, the Board made some additional distinctions in the remuneration approach applied to individual KMP to further align them with long-term performance. The executive KMP STI outcomes (excluding the Group CEO), on average, are down 27% in FY20, compared with FY19, (averaging 63% of the maximum potential versus 89% in FY19). This reflects the Board's decision to focus reward in the form of LTI for the KMP whose roles have greater focus on overall Group strategy. The table below indicates the maximum possible STI and the actual STI awarded.

It should be noted that based on the Group and individual performances in FY20, KMP were eligible for the maximum STI.

Test	Metrics	Result
Gate 1: Behaviour	Code of Conduct: Pass/Fail	Pass
Gate 2: Operating EPS – FY20 operating EPS versus target	Operating EPS growth: Target 9% (56.3 cents)	11.4% operating EPS growth (57.5 cents)

Executive	Year	STI maximum \$M	Actual STI awarded \$M	Cash component \$M	Deferred component \$M	Actual STI % of maximum
Gregory Goodman	FY20	2.10	–	–	–	–
	FY19	2.10	–	–	–	–
Nick Kurtis	FY20	1.05	–	–	–	–
	FY19	1.05	1.00	0.50	0.50	95
Michael O'Sullivan	FY20	0.75	0.40	0.20	0.20	53
	FY19	0.75	0.65	0.325	0.325	87
Nick Vrondas	FY20	1.05	0.60	0.30	0.30	57
	FY19	1.05	0.95	0.475	0.475	90
		€M	€M	€M	€M	
Danny Peeters	FY20	0.88	0.70	0.35	0.35	80
	FY19	0.88	0.70	0.35	0.35	80
		US\$M	US\$M	US\$M	US\$M	
Anthony Rozic	FY20	1.05	1.05	0.525	0.525	100
	FY19	1.05	1.00	0.50	0.50	95

Directors' report

Remuneration report – audited (continued)

3.5.2 LTI OUTCOMES

Performance rights are granted on an annual basis, are tested over three years and vest in three equal tranches shortly after the third, fourth and fifth anniversary of the grant. Testing as at 30 June 2020 was completed for the grants of performance rights made to executive KMP in respect of executive KMP performance in FY17 (called FY18 awards). The FY18 awards had two hurdles: operating EPS and a relative TSR, both measured over the three years ended 30 June 2020.

The mechanics of the testing are detailed in section 2.4. The first tranche of the FY18 awards will vest in September 2020, the second tranche will vest in September 2021 and the third tranche in September 2022.

Operating EPS hurdle (75% weighting)

The operating EPS is calculated by dividing operating profit by the weighted average number of securities on issue adjusted to include all performance rights which have passed the testing criteria, even though they are not yet vested (issued) to account for potential EPS dilution. Operating EPS growth for the three year period to 30 June 2020 was 33.4%, compared to a cumulative three year target of 23.9%. For each year, the operating EPS was based on the weighted average number of securities on issue plus those performance rights that at the start of the year had met the three year EPS and TSR hurdles but had not yet vested.

	Target	Actual	Outperformance	Outcome
FY18	45.7 cents	46.7 cents	1.0 cent	Pass
FY19	50.0 cents	51.6 cents	1.6 cents	Pass
FY20	56.3 cents	57.5 cents	1.2 cents	Pass
Cumulative			3.8 cents	100%

As a result of achieving the operating EPS hurdle, a total of 11,775,723 equity settled performance rights will vest in September 2020, September 2021 and September 2022. In addition, 2,273,813 cash settled performance rights will also vest. The Group may elect to issue the equivalent number of new securities to raise funds to satisfy those obligations in the future.

Relative TSR (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 a sliding scale:

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

Goodman posted a three year TSR of 103.4% to 30 June 2020, compared with the S&P/ASX 100 index performance of 17.1%. This ranked Goodman in the 93rd percentile and consequently 100% of these performance rights vested.

	GMG TSR ¹	S&P/ASX 100 TSR ¹	Percentile	Outcome
FY17 LTIP grant – TSR hurdle¹	103.4%	17.1%	93rd	100%

1. Testing period for grant: 1 July 2017 to 30 June 2020.

As a result of achieving the relative TSR hurdle, a total of 3,925,241 equity settled performance rights will vest in September 2020, September 2021 and September 2022. In addition, 757,938 cash settled performance rights will also vest. The Group may elect to issue the equivalent number of new securities to raise funds to satisfy those obligations in the future.

3.5.3 GROUP CEO

In FY20, the Board considered the following highlights when assessing the Group CEO, Gregory Goodman:

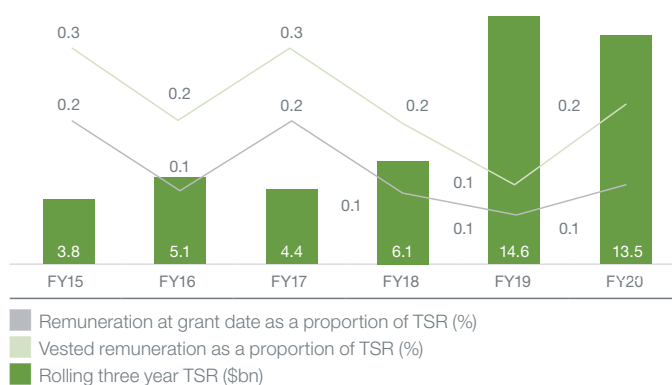
- + Developed and drove a consistent global business strategy across all markets to sustain the performance of the Group despite significant challenges presented by COVID-19. The Group has adapted to these challenges and continues to outperform its own targets and the broader market performance, retaining employees and increasing community support and charitable programs.
- + Exceeded earnings guidance through the COVID-19 affected period, while most companies on the ASX withdrew guidance for FY20
- + Outperformed benchmark indices and comparator companies in FY20 and delivered strong and sustained TSR of 103.4% over three years and 170% over five years
- + Delivered:
 - Statutory profit of \$1,504 million, driven by growth in property values as a result of asset selection over the past few years and operational activities such as development
 - Operating profit of \$1,060 million, up 12.5% on FY19
 - Operating EPS of 57.5 cents, up 11.4% on FY19
 - NTA increased 9% to \$5.84 per security
- + Decreased financial leverage to 7.5% and maintained strong Group balance sheet with \$2.8 billion of liquidity
- + Instrumental in significantly increasing sustainability initiatives and programs for the Group. This has included establishing a zero carbon emissions target for the Group by 2025, increasing the 2025 target for solar PV capacity installed on the rooftops of Goodman’s global portfolios from 100MW to 400MW and implementing compliance with TCFD
- + Fostered a culture that focused on delivering quality across all aspects of the business: people, properties and service
- + Lead global internal programs to promote a strong culture of inclusion, collaboration and conduct across the organisation, underpinned by the long held principles in the Group’s Code of Conduct, treating all stakeholders with integrity, and accountability
- + Reinforced Goodman’s purpose aimed at understanding the drivers of change and the needs of the Group’s customers and all stakeholders to support their future success
- + Integrated strong risk management approaches globally
- + 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
- + Increased Goodman Foundation commitments to enable it to meet its \$50 million 2030 social impact target. The Group CEO drove:
 - Contributions of \$13.7 million in FY20, including \$6.6 million for Australian communities affected by the recent bushfires and \$7.1 million contributed by the Foundation and the Goodman team across a number of Foundation programs.

- Directed the Goodman team globally to contribute 8,600 hours of service through the year. The Goodman Foundation focuses on children and youth, community and its health, and food rescue and the environment. Meal program and food rescue charities that have been supported by Goodman since their inception have provided over 130 million meals globally.

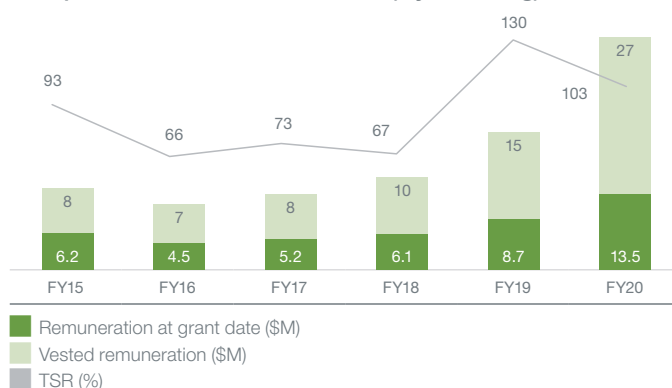
The charts below demonstrate the performance of the Group and various key metrics relative to the Group CEO’s vested remuneration outcomes in FY20 and prior years. They illustrate significant alignment of Group CEO remuneration outcomes and the key metrics for testing and vesting of performance rights. Significant operating profit growth, security price growth and consequently returns for Securityholders over the testing periods, correlate with increased Group CEO remuneration over time. Given the strong increase in the market price of securities between the time of the grant and the time of vesting, the Group CEO (and all beneficiaries of the LTIP) have participated in the performance alongside all investors in the Group.

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

Group CEO remuneration as a % of TSR (3 year rolling)



Group CEO remuneration and TSR (3 year rolling)



Directors' report

Remuneration report – audited (continued)

The table below includes awarded remuneration at the grant date and the vested remuneration over the past five years for the Group CEO. The numbers in this table differ from the statutory disclosure in section 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 continued to decline
- + Significant growth in the value of LTI from grant date to the vesting date due to the increase in security price (on average an increase of 119% for grants vesting in FY20).

	FY15 \$M	FY16 \$M	FY17 \$M	FY18 \$M	FY19 \$M	FY20 \$M
Base salary	1.4	1.4	1.4	1.4	1.4	1.4
STI	2.2	–	–	–	–	–
Value of LTI on grant date¹	2.6	3.1	3.8	4.7	7.3	11.6
Value of LTI on vesting date	4.6	5.2	7.0	8.8	13.5	25.4
Total remuneration based on LTI value at grant date¹	6.2	4.5	5.2	6.1	8.7	13.0
Total vested remuneration based on LTI value at vesting date	8.2	6.6	8.4	10.2	14.9	26.8
Increase in LTI value due to security price performance of the Group	2.0	2.1	3.2	4.1	6.3	13.8
Percentage growth in value of LTI during vesting period	74%	66%	84%	88%	86%	119%

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.

This remuneration disclosure indicates available remuneration resulting from the performance over the past three to five years. Grant vesting outcomes have increased significantly compared to the initial grant value, due to consistent earnings growth and security price outperformance of the Group.

The chart below illustrates the proportions of vesting outcomes due to grant value and value added since grant date:

Group CEO FY20 vested performance rights

Value at grant date (\$M) Value at vesting date (\$M)



3.5.4 OTHER EXECUTIVE KMP

In FY20, the Board considered the following highlights when assessing Executive Director, Corporate – Danny Peeters

- + Successfully refined business operations in Continental Europe and Brazil, playing a critical role in communicating and reinforcing the Group's strategy in these diverse regions
- + Delivered outperformance against all key performance and financial parameters
- + Produced strong development results with very active and profitable development pipeline, and c\$800 million completions in FY20 and continued to secure a strong development pipeline in core locations moving into FY21
- + Drove further integration of the Brazil operation into the global network
- + In Continental Europe, further positioning of the stabilised portfolio towards infill, consumption-focused locations:
 - Current AUM at \$8 billion
 - Occupancy of 98% and weighted average lease expiry in excess of 4 years
 - Total Partnership investment return of 12.9%, while maintaining conservative gearing
- + In Brazil, played a key role in overseeing the successful second year of the Goodman Brazil Logistics Partnership (GBLP) with strong leasing activity, resulting in portfolio occupancy of 99%
 - Secured significant infill land banks for GBLP while successfully progressing permit processes allowing start of construction in FY21 on previously acquired sites
 - Provided guidance and leadership in a complex acquisition and development environment effecting on-target performance
- + Further embedded key controls and culture with the team working cohesively and capability increasing.

In FY20, the Board considered the following highlights when assessing Chief Executive Officer, North America and Deputy Group Chief Executive Officer – Anthony Rozic

- + Critical role in communicating and reinforcing the Group's strategy in the region
- + Successfully oversaw strong growth in business operations in North America:
 - AUM grown to \$4.3 billion
 - Stabilised occupancy of 95%
 - WALE of 7.2 years
 - Created a significant infill development pipeline in major US gateway cities providing strong positioning for future performance
 - Raised US\$2.5 billion of equity and US\$0.7 billion of debt capacity to bring total available liquidity in the Partnership to US\$4.7 billion
- + Positioned the North American business over FY20 with a number of developments pre-leased and replenishing the land/value-add inventory. Emphasis on developing major infill sites and value-add development skillsets

- + Developed a high-quality portfolio and strongly differentiated brand position.
- + Strong leadership in embedding the Goodman values in the behaviour of the team and encouraging teamwork with respect
- + Building team capabilities and skill sets for complex acquisitions and developments.

In FY20, the Board considered the following highlights when assessing Group Head of Equities – Nick Kurtis

- + Formulated and implemented the Partnership's strategies to successfully deliver significant total returns. Partnership investment portfolio delivered:
 - Annualised total return of 16.6% (based on the respective Partnership reporting periods) for FY20
 - Average annualised total return of 16.4% over the past five years
- + Delivered strong performance metrics including:
 - 10% increase in divisional contribution to the Group's operating earnings to \$511 million
 - Performance fees of \$207 million
 - Growth in external AUM up 12% to \$48 billion across 15 Partnerships in 17 countries
 - Strong asset selection focus resulting in superior property level returns
- + Fostered strong investor relationships and successful communication of Partnership strategies and alignment of interests with investors
- + Successfully executed continuation of several Partnerships through the course of FY20
- + Raised \$2.5 billion of additional equity to increase total available liquidity in the Partnerships to \$16.3 billion
- + Aligned the Group's and Partnerships' long-term investment strategy to optimise financial outcomes.

Directors' report

Remuneration report – audited (continued)

In FY20, the Board considered the following highlights when assessing Group Chief Risk Officer – Michael O'Sullivan

- + Established and refined risk frameworks with improved outcomes across the Group and Partnerships, adapting to the structural changes driving Goodman's business including nature and scale of development projects globally
- + Effectively navigated through the changing risk and work environment that has arisen from COVID-19 while exceeding targets and strategies set at the beginning of the financial year
- + Performed a critical role in commercial oversight and assessment of globally complex transactions for the Group in FY20. As part of this process, he was an active member of Due Diligence Committee meetings for major transactions, disposals and capital market transactions
- + Coordinated and refined reporting of Group Corporate Services functions, specifically as they relate to the identification and monitoring of non-financial risks with specific reference to internal audit, safety, sustainability, insurance and business continuity planning
- + Led a considerable volume of complex transaction activity in FY20 for Group Risk through the Group Investment Committee process including:
 - \$4.5 billion in development commencements and \$2.4 billion of completions
 - \$2.2 billion of asset sales within the Group and to external parties globally
 - \$2.3 billion of global acquisitions
 - 15 business plans and Partnership strategy proposals across \$51.6 billion of global assets.

In FY20, the Board considered the following highlights when assessing Group Chief Financial Officer – Nick Vrontas

- + Full oversight of balance sheet and profit and loss outcomes for the Group and Partnerships
- + 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 operating profit of \$1.06 billion and strong operating profit growth, representing 11.4% operating EPS growth in FY20
- + Delivered statutory and management financial reporting across 17 countries and continued improvements in financial reporting to facilitate active business management
- + Led operational improvements in relation to business processes, IT and business intelligence applications
- + Strengthened monitoring, coordination and consolidation of financial performance and financial position of regional business units and divisions to achieve budgets and financial plans
- + Refined the financial risk management practices through variable market conditions, consistently reducing risk:
 - Enabled delivery of a strong capital management position and compliance with financial risk management policies of the Group and Partnerships
 - Established debt finance transactions in banking and debt capital markets of \$3.1 billion for the Group and its Partnerships, adding term to maturity profile and diversity of funding sources
 - Effective hedging of financial risk. Involved in and oversaw derivative and hedge transactions of over \$7.0 billion for the Group and its Partnerships
 - Updated and improved various operational policies to enhance compliance
 - Established a track record in the debt capital markets that has facilitated strong support for Group issuances.

3.6 LTI GRANTS IN FY21 IN RELATION TO FY20 PERFORMANCE

The remuneration awards made by the Board in respect of the executive KMP performance in FY20 comprise fixed remuneration, STI and awards under the LTIP that will be made in FY21. As discussed in section 2.1, the performance rights will be tested at the end of FY23. The vesting of those performance rights that achieve the performance hurdles will occur in equal tranches in September 2023, September 2024 and September 2025. The minimum vesting percentage is 0% if hurdles are not met.

Over the past two years, the number of performance rights proposed to be awarded to the Group CEO have decreased 42%.

In determining its intended award of performance rights, the Board has considered the face value of the FY21 awards for each executive KMP. This assumes 100% vesting and therefore represents the maximum number of potential securities. It does not consider the risk of achieving the performance hurdles and that performance rights have no entitlement to distributions over the vesting period or the time value of money.

Executive	Year of grant	Performance rights proposed	GMG price \$	Face value of grant \$M
Gregory Goodman	FY21	950,000	14.85	14.1
	FY20	900,000	15.03	13.5
Danny Peeters	FY21	380,000	14.85	5.6
	FY20	350,000	15.03	5.3
Anthony Rozic	FY21	400,000	14.85	5.9
	FY20	380,000	15.03	5.7
Nick Kurtis	FY21	490,000	14.85	7.3
	FY20	380,000	15.03	5.7
Michael O'Sullivan	FY21	340,000	14.85	5.0
	FY20	300,000	15.03	4.5
Nick Vrondas	FY21	420,000	14.85	6.2
	FY20	380,000	15.03	5.7

The face values of grants have been determined using the Goodman security price at 30 June 2020 of \$14.85 (FY20 grant face value-based on the price at 30 June 2019 of \$15.03).

Directors' report

Remuneration report – audited (continued)

4. EXECUTIVE 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:

Executive KMP		Salary and fees ¹	Bonus (STI) ²	Other ^{3,4}	Total	Long-term		Share based payments		Performance related		
						Super-annuation benefits	Bonus (STI) ²	Other ³	Performance rights (LTI) ⁵	Total	STI and LTI as %	LTI as % of total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Gregory Goodman	FY20	1,396,329	–	17,169	1,413,498	21,003	–	24,841	10,534,692	11,994,033	87.8	87.8
	FY19	1,385,230	–	17,437	1,402,667	20,532	–	24,773	11,352,787	12,800,759	88.7	88.7
Nick Kurtis	FY20	687,653	–	18,010	705,663	21,003	–	12,414	3,740,638	4,479,717	83.5	83.5
	FY19	690,979	–	18,010	708,989	20,532	1,000,000	12,380	3,909,037	5,650,938	86.9	69.2
Michael O'Sullivan	FY20	487,275	–	16,500	503,775	21,003	400,000	(891)	2,493,876	3,417,763	84.7	73.0
	FY19	473,295	–	16,500	489,795	20,532	650,000	3,190	2,487,470	3,650,987	85.9	68.1
Nick Vrondas	FY20	635,820	–	16,500	652,320	21,003	600,000	12,421	3,783,979	5,069,723	86.5	74.6
	FY19	685,195	–	16,500	701,695	20,532	950,000	12,387	3,964,207	5,648,821	87.0	70.2
		€	€	€	€	€	€	€	€	€		
Danny Peeters ⁶	FY20	593,400	–	–	593,400	–	700,000	–	2,070,939	3,364,339	82.4	61.6
	FY19	584,009	–	–	584,009	–	700,000	–	2,172,415	3,456,424	83.1	62.9
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$		
Anthony Rozic ⁷	FY20	680,039	–	170,587	850,626	14,102	1,050,000	14,766	2,548,576	4,478,070	80.4	56.9
	FY19	691,821	–	12,880	704,701	14,683	1,000,000	65,786	2,803,908	4,589,078	82.9	61.1

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

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 reportable fringe benefits, car parking and changes in long service leave provisions.
4. During the period, the Board agreed certain tax equalisation arrangements with Anthony Rozic in connection with his employment arrangements in the United States and Australia to ensure that he was no better or worse off. The Board agreed to pay additional tax related amounts of US\$150,005 relating to the period prior to 1 January 2019. These amounts were on top of his 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 2019, the advances amounted to \$nil and at 30 June 2020 equalled US\$503,729, the maximum during the period. The amount of interest that would have been payable if charged on an arms-length basis during the period would have been \$8,490. The additional tax related amount and the notional interest amount have been included in Anthony Rozic's statutory remuneration for FY20 (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. The determination of the values of the performance rights that are subject to the operating EPS hurdles also reflect an assessment of the probability of the hurdles being met.
6. The remuneration of Danny Peeters is disclosed in Euros, the currency in which his base remuneration and STI are determined. The value attributed to his performance rights is translated from Australian dollars at the weighted average rate for the relevant financial year.
7. The remuneration of Anthony Rozic is disclosed in US dollars, the currency in which his base remuneration and STI are determined. The value attributed to his performance rights is translated from Australian dollars at the weighted average rate for the relevant financial year.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

5.1 KEY ELEMENTS OF THE NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

-
- The policy is structured to ensure independence of judgement in the performance of their duties.
 - Non-Executive Directors receive fixed fees for Board membership and additional fees for membership of committees.
-
- The fees consider the size and scope of Goodman's activities and the responsibilities and experience of the Directors. Periodically, these fees are benchmarked against data for comparable entities provided by external advisers.
 - As approved by Securityholders at the 2006 Annual General Meeting, total remuneration (including superannuation) payable by Goodman to all Non-Executive Directors in aggregate must not exceed \$2.5 million per annum. For the current financial year, total Non-Executive Directors' remuneration was \$2.3 million (2019: \$2.1 million).
-
- The increase in Non-Executive Director fees compared to the prior financial year was due to the change in composition of the Board. There have been no changes to the Board and committee annual fees since 1 January 2018.
 - 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.
-
- The Board has a policy, set out in the Directors' Securities Acquisition Plan, for Non-Executive Directors to accumulate a significant long-term holding of Goodman securities so that they have an alignment of interests with those of Securityholders. Under the policy, each Non-Executive Director is required to acquire securities such that their holding is equal in value to twice their annual base fees. The value of securities for this purpose equals the higher of purchase cost or market value at the end of each financial year. This holding may be acquired at any time but where not held at the beginning of a financial year, the policy is for 25% of base fees (net of tax) during the financial year to be applied to the on-market purchase of securities.
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Directors' report

Remuneration report – audited (continued)

5.2 BOARD AND COMMITTEE ANNUAL FEES

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

5.3 NON-EXECUTIVE DIRECTORS' REMUNERATION (STATUTORY ANALYSIS)

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

Non-Executive Directors – GL and GFML		Salary and fees \$	Superannuation benefits \$	Total \$
Ian Ferrier ¹	FY20	603,997	21,003	625,000
	FY19	604,469	20,531	625,000
Christopher Green ²	FY20	255,000	–	255,000
	FY19	43,155	3,080	46,235
Stephen Johns	FY20	283,997	21,003	305,000
	FY19	284,469	20,531	305,000
Mark Johnson ³	FY20	19,500	1,750	21,250
	FY19	–	–	–
Rebecca McGrath	FY20	273,997	21,003	295,000
	FY19	274,469	20,531	295,000
Phillip Pryke ⁴	FY20	359,354	21,003	380,357
	FY19	358,853	20,531	379,384
Jim Sloman ⁵	FY20	–	–	–
	FY19	97,301	8,555	105,856
Penny Winn	FY20	258,997	21,003	280,000
	FY19	259,469	20,531	280,000
Non-Executive Director – GLHK		HK\$	HK\$	HK\$
David Collins ⁶	FY20	625,000	–	625,000
	FY19	625,000	–	625,000

1. Ian Ferrier does not receive any additional Board committee fees.

2. Christopher Green was appointed as a Director on 28 April 2019.

3. Mark Johnson was appointed as a Director on 1 June 2020.

4. Salary and fees for Phillip Pryke included an amount of A\$85,357 (NZ\$90,000) (2019: A\$84,384 (NZ\$90,000)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.

5. Jim Sloman retired as a Director on 15 November 2018.

6. David Collins is a director of GLHK and his director fees are disclosed in Hong Kong dollars.

6. OTHER REMUNERATION DISCLOSURES

6.1 MOVEMENTS IN PERFORMANCE RIGHTS HELD BY EXECUTIVE KMP

The movements in the number of performance rights during FY20 are summarised as follows:

Executive Directors	Year	Held at the start of the year	Granted as compensation	Vested	Forfeited	Held at the end of the year
Gregory Goodman	FY20	7,231,827	900,000	(1,781,827)	–	6,350,000
	FY19	6,962,073	1,600,000	(1,280,248)	(49,998)	7,231,827
Danny Peeters	FY20	2,158,413	350,000	(512,163)	–	1,996,250
	FY19	2,064,458	550,000	(444,795)	(11,250)	2,158,413
Anthony Rozic	FY20	2,470,996	380,000	(609,330)	–	2,241,666
	FY19	2,394,624	600,000	(508,628)	(15,000)	2,470,996
Other executives						
Nick Kurtis	FY20	2,568,495	380,000	(658,079)	–	2,290,416
	FY19	2,544,623	600,000	(557,378)	(18,750)	2,568,495
Michael O'Sullivan	FY20	1,607,018	300,000	(403,268)	–	1,503,750
	FY19	1,568,509	400,000	(352,743)	(8,748)	1,607,018
Nick Vrondas	FY20	2,603,412	380,000	(659,662)	–	2,323,750
	FY19	2,547,878	600,000	(525,716)	(18,750)	2,603,412

Directors' report

Remuneration report – audited (continued)

6.2 ANALYSIS OF PERFORMANCE RIGHTS HELD BY EXECUTIVE KMP

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

Executive Directors	Number of performance rights granted	Date performance rights granted	Year	Fair value per performance right ¹ \$	Total value of performance rights granted ¹ \$	Vested in prior years %	Vested in the year ² %	Forfeited %	Value of performance rights vested in the year ³ \$	Financial years in which grant vests	Expiry date ⁴
Gregory Goodman	900,000	20 Nov 2019	FY20	11.48	10,332,000	-	-	-	-	2023–2025	2 Sep 2024
	1,600,000	15 Nov 2018	FY19	8.72	13,952,000	-	-	-	-	2022–2024	1 Sep 2023
	1,600,000	16 Nov 2017	FY18	6.70	10,720,000	-	-	-	-	2021–2023	1 Sep 2022
	2,400,000	30 Sep 2016	FY17	5.64	13,536,000	-	33.3	-	11,408,000	2020–2022	1 Sep 2021
	2,000,000	25 Nov 2015	FY16	4.44	8,880,000	32.5	32.5	2.5	9,269,014	2019–2021	1 Sep 2020
	995,476	20 Nov 2014	FY15	4.01	3,991,859	66.7	33.3	-	4,731,839	2018–2020	2 Sep 2019
Danny Peeters	350,000	20 Nov 2019	FY20	11.48	4,018,000	-	-	-	-	2023–2025	2 Sep 2024
	550,000	15 Nov 2018	FY19	8.72	4,796,000	-	-	-	-	2022–2024	1 Sep 2023
	550,000	16 Nov 2017	FY18	6.70	3,685,000	-	-	-	-	2021–2023	1 Sep 2022
	600,000	30 Sep 2016	FY17	5.64	3,384,000	-	33.3	-	2,852,000	2020–2022	1 Sep 2021
	450,000	25 Nov 2015	FY16	4.44	1,998,000	32.5	32.5	2.5	2,085,525	2019–2021	1 Sep 2020
	497,738	20 Nov 2014	FY15	4.01	1,995,929	66.7	33.3	-	2,365,919	2018–2020	2 Sep 2019
Anthony Rozic	380,000	20 Nov 2019	FY20	11.48	4,362,400	-	-	-	-	2023–2025	2 Sep 2024
	600,000	15 Nov 2018	FY19	8.72	5,232,000	-	-	-	-	2022–2024	1 Sep 2023
	600,000	16 Nov 2017	FY18	6.70	4,020,000	-	-	-	-	2021–2023	1 Sep 2022
	700,000	30 Sep 2016	FY17	5.64	3,948,000	-	33.3	-	3,327,343	2020–2022	1 Sep 2021
	600,000	25 Nov 2015	FY16	4.44	2,664,000	32.5	32.5	2.5	2,780,700	2019–2021	1 Sep 2020
	542,987	20 Nov 2014	FY15	4.01	2,177,378	66.7	33.3	-	2,580,003	2018–2020	2 Sep 2019

Refer to page 67 for explanatory footnotes.

Other executives	Number of performance rights granted	Date performance rights granted	Year	Fair value per performance right ¹ \$	Total value of performance rights granted ¹ \$	Vested in prior years %	Vested in the year ² %	Forfeited %	Value of performance rights vested in the year ³ \$	Financial years in which grant vests	Expiry date ⁴
Nick Kurtis	380,000	30 Sep 2019	FY20	11.26	4,278,800	-	-	-	-	2023–2025	2 Sep 2024
	600,000	28 Sep 2018	FY19	8.52	5,112,000	-	-	-	-	2022–2024	1 Sep 2023
	600,000	30 Sep 2017	FY18	6.41	3,846,000	-	-	-	-	2021–2023	1 Sep 2022
	700,000	30 Sep 2016	FY17	5.64	3,948,000	-	33.3	-	3,327,343	2020–2022	1 Sep 2021
	750,000	23 Sep 2015	FY16	4.06	3,045,000	32.5	32.5	2.5	3,475,875	2019–2021	1 Sep 2020
	542,987	9 Oct 2014	FY15	4.05	2,199,097	66.7	33.3	-	2,580,989	2018–2020	2 Sep 2019
Michael O'Sullivan	300,000	30 Sep 2019	FY20	11.26	3,378,000	-	-	-	-	2023–2025	2 Sep 2024
	400,000	28 Sep 2018	FY19	8.52	3,408,000	-	-	-	-	2022–2024	1 Sep 2023
	390,000	30 Sep 2017	FY18	6.41	2,499,900	-	-	-	-	2021–2023	1 Sep 2022
	450,000	30 Sep 2016	FY17	5.64	2,538,000	-	33.3	-	2,139,000	2020–2022	1 Sep 2021
	350,000	23 Sep 2015	FY16	4.06	1,421,000	32.5	32.5	2.5	1,622,089	2019–2021	1 Sep 2020
	418,553	9 Oct 2014	FY15	4.05	1,695,140	66.7	33.3	-	1,989,512	2018–2020	2 Sep 2019

Other executives	Number of performance rights granted	Date performance rights granted	Year	Fair value per performance right ¹ \$	Total value of performance rights granted ¹ \$	Vested in prior years %	Vested in the year ² %	Forfeited %	Value of performance rights vested in the year ³ \$	Financial years in which grant vests	Expiry date ⁴
Nick Vrondas	380,000	30 Sep 2019	FY20	11.26	4,278,800	–	–	–	–	2023–2025	2 Sep 2024
	600,000	28 Sep 2018	FY19	8.52	5,112,000	–	–	–	–	2022–2024	1 Sep 2023
	600,000	30 Sep 2017	FY18	6.41	3,846,000	–	–	–	–	2021–2023	1 Sep 2022
	750,000	30 Sep 2016	FY17	5.64	4,230,000	–	33.3	–	3,565,000	2020–2022	1 Sep 2021
	750,000	23 Sep 2015	FY16	4.06	3,045,000	32.5	32.5	2.5	3,475,875	2019–2021	1 Sep 2020
	497,738	9 Oct 2014	FY15	4.05	2,015,839	66.7	33.3	–	2,365,905	2018–2020	2 Sep 2019

Footnotes to the analysis of executive KMP performance rights table

- The fair value was determined at grant date and calculated using a combination of the standard Black Scholes model with a continuous dividend/distribution yield and a Monte Carlo model which simulated total returns for each of the ASX 100 entities and discounted the future value of any potential future vesting performance rights to arrive at a present value.
- As performance rights had an exercise price of \$nil, Goodman securities were automatically issued to employees when the performance rights vested. Accordingly, the percentage of performance rights that vested during the financial year equalled the percentage of securities issued during the financial year.
- The value of performance rights vested was calculated using the closing price of a Goodman security on the ASX of \$14.26 on 2 September 2019, the day the performance rights vested.
- As Goodman securities were automatically issued to employees when the performance rights vested, and lapsed where they failed to do so, the vesting date was also deemed to be the expiry date.

6.3 SECURITIES ISSUED ON EXERCISE OF PERFORMANCE RIGHTS

During FY20, Goodman issued 14,531,241 securities as a result of the vesting of performance rights. The amount paid by the employees on exercise of these securities was \$nil.

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

6.4 UNISSUED SECURITIES UNDER PERFORMANCE RIGHTS

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

Expiry date	Exercise price \$	Number of performance rights ¹
Sep 2024	–	11,639,792
Sep 2023	–	17,149,688
Sep 2022	–	15,700,964
Sep 2021	–	12,486,798
Sep 2020	–	5,276,111

- The number of performance rights at the date of this Directors' report is net of any rights forfeited and excludes 11,734,292 performance rights where the intention is to cash settle.

Directors' report

Remuneration report – audited (continued)

6.5 MOVEMENT IN GOODMAN SECURITIES HELD

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

Non-Executive Directors – GL and GFML	Year	Held at the start of the year ¹	Securities issued on vesting of performance rights	Acquisitions	Disposals	Held at the end of the year
Ian Ferrier	FY20	202,922	–	5,403	–	208,325
	FY19	195,974	–	6,948	–	202,922
Christopher Green (appointed 28 Apr 2019)	FY20	78,996	–	–	–	78,996
	FY19	78,996	–	–	–	78,996
Stephen Johns	FY20	25,000	–	–	–	25,000
	FY19	15,000	–	10,000	–	25,000
Mark Johnson (appointed 1 Jun 2020)	FY20	–	–	–	–	–
	FY19	–	–	–	–	–
Rebecca McGrath	FY20	39,540	–	2,604	–	42,144
	FY19	36,191	–	3,349	–	39,540
Phillip Pryke	FY20	100,880	–	–	(41,000)	59,880
	FY19	100,880	–	–	–	100,880
Penny Winn	FY20	24,700	–	–	–	24,700
	FY19	24,700	–	–	–	24,700
Non Executive Directors – GLHK						
David Collins	FY20	5,000	–	–	–	5,000
	FY19	–	–	5,000	–	5,000
Executive Directors – GL and GFML						
Gregory Goodman	FY20	38,102,720	1,781,827	5,000	(1,785,000)	38,104,547
	FY19	38,122,472	1,280,248	–	(1,300,000)	38,102,720
Danny Peeters	FY20	1,591,385	512,163	–	–	2,103,548
	FY19	1,796,590	444,795	–	(650,000)	1,591,385
Anthony Rozic	FY20	1,109,460	609,330	–	(242,832)	1,475,958
	FY19	1,109,460	508,628	–	(508,628)	1,109,460
Other executives						
Nick Kurtis	FY20	407,140	658,079	–	(561,889)	503,330
	FY19	660,352	557,378	–	(810,590)	407,140
Michael O'Sullivan	FY20	464,967	403,268	–	(201,634)	666,601
	FY19	764,967	352,743	–	(652,743)	464,967
Nick Vrondas	FY20	–	659,662	–	(659,662)	–
	FY19	404,417	525,716	–	(930,133)	–

1. Relates to securities held at the later of the start of the financial year or the date of becoming a KMP.

6.6 MOVEMENT IN GOODMAN PROPERTY TRUST SECURITIES

During the year, Michael O'Sullivan disposed of his entire holding, amounting to 349,650 units, in Goodman Property Trust (GMT). GMT is listed on the New Zealand Exchange and Goodman owned 21.4% of the issued units at 30 June 2020.

6.7 TRANSACTIONS WITH DIRECTORS, EXECUTIVES AND THEIR RELATED ENTITIES

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

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 2020 have been properly maintained and the financial report for the year ended 30 June 2020 complies with accounting standards and presents a true and fair view of Goodman's financial condition and operational results. The Group Chief Executive Officer and Group Chief Financial Officer confirmed that the above declaration was, to the best of their knowledge and belief, founded on a sound system of risk management and internal control and that the system was operating effectively in all material respects in relation to the financial reporting risks.

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

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

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

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

Non-audit services

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

The Board has considered the non-audit services provided during the financial year by the auditor and, in accordance with written advice authorised by a resolution of the Audit Committee, resolved that it is satisfied that the provision of those non-audit services during the financial year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

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

The lead auditor's independence declaration is set out on page 71 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.

Directors' report

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.



Ian Ferrier, AM
Independent Chairman



Gregory Goodman
Group Chief Executive Officer

Sydney, 13 August 2020

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



To: The directors of Goodman Limited and of Goodman Funds Management Limited, as Responsible Entity for Goodman Industrial Trust

I declare that, to the best of my knowledge and belief, in relation to the 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 2020, 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 handwritten signature of Eileen Hoggett in black ink, written in a cursive style.

KPMG

A handwritten signature of Eileen Hoggett in black ink, written in a cursive style.

Eileen Hoggett

Partner

Sydney, 13 August 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statements of financial position

as at 30 June 2020

	Note	Goodman		GIT	
		2020 \$M	2019 ¹ \$M	2020 \$M	2019 \$M
Current assets					
Cash and cash equivalents	21(a)	1,781.9	1,607.1	1,302.6	1,214.4
Receivables	7	282.3	249.6	1,602.1	1,841.8
Contract assets	8	25.7	308.1	–	–
Inventories	6(b)	544.1	307.9	–	–
Other financial assets	17	59.3	1.3	59.3	1.3
Assets held for sale	9	112.5	–	–	–
Total current assets		2,805.8	2,474.0	2,964.0	3,057.5
Non-current assets					
Receivables	7	108.3	124.7	1,487.4	1,431.3
Inventories	6(b)	636.1	761.1	5.9	6.5
Investment properties	6(b)	1,901.2	1,897.1	1,202.4	1,158.6
Investments accounted for using the equity method	6(b)	9,370.8	8,452.4	7,148.3	6,401.0
Deferred tax assets	5	10.5	6.8	–	–
Other financial assets	17	408.8	340.4	444.1	399.0
Property, plant and equipment	12	50.9	16.3	–	–
Intangible assets	14	845.8	840.0	–	–
Total non-current assets		13,332.4	12,438.8	10,288.1	9,396.4
Total assets		16,138.2	14,912.8	13,252.1	12,453.9
Current liabilities					
Payables	10	584.5	459.3	655.3	707.6
Current tax payables	5	140.8	92.6	–	–
Interest bearing liabilities	16	260.1	–	260.1	–
Provisions	11	289.4	285.0	201.1	181.4
Lease liabilities	13	17.6	–	–	–
Other financial liabilities	17	50.4	12.1	50.4	12.1
Total current liabilities		1,342.8	849.0	1,166.9	901.1
Non-current liabilities					
Payables	10	85.4	172.5	231.5	152.3
Interest bearing liabilities	16	2,678.4	2,975.0	2,679.4	2,864.3
Deferred tax liabilities	5	121.8	130.1	82.3	62.8
Provisions	11	29.0	27.3	–	–
Lease liabilities	13	29.2	–	–	–
Other financial liabilities	17	331.0	236.4	302.6	229.7
Total non-current liabilities		3,274.8	3,541.3	3,295.8	3,309.1
Total liabilities		4,617.6	4,390.3	4,462.7	4,210.2
Net assets		11,520.6	10,522.5	8,789.4	8,243.7
Equity attributable to Securityholders					
Issued capital	20	8,031.7	8,031.7	7,623.5	7,477.3
Reserves		384.7	397.5	136.7	97.9
Retained earnings		3,104.2	2,093.3	1,029.2	668.5
Total equity attributable to Securityholders		11,520.6	10,522.5	8,789.4	8,243.7
Comprising:					
Total equity attributable to GL	22(a)	1,278.0	936.2		
Total equity attributable to other entities stapled to GL	22(b)	10,242.6	9,586.3		
Total equity attributable to Securityholders		11,520.6	10,522.5	8,789.4	8,243.7

1. Goodman has adopted AASB 16 Leases with a date of initial application of 1 July 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (refer note 1(d)).

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 2020

	Note	Goodman		GIT	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Revenue					
Gross property income	2	115.9	114.6	67.9	80.2
Management income	2	511.2	469.7	–	–
Development income	2	882.6	1,134.3	0.3	31.5
Distributions from investments		1.2	–	9.9	2.9
		1,510.9	1,718.6	78.1	114.6
Property and development expenses					
Property expenses		(36.4)	(40.2)	(23.0)	(28.4)
Development expenses	2	(443.4)	(727.3)	(1.0)	(31.5)
		(479.8)	(767.5)	(24.0)	(59.9)
Other income					
Net gain from fair value adjustments on investment properties	6(e)	45.2	146.8	36.5	142.3
Net gain on disposal of investment properties		54.5	15.3	9.1	8.0
Share of net results of equity accounted investments	6(f)	1,022.2	1,132.5	825.5	816.6
Net gain on disposal of equity investments	2	0.6	12.6	0.1	4.9
		1,122.5	1,307.2	871.2	971.8
Other expenses					
Employee expenses	2	(203.7)	(191.9)	–	–
Share based payments expense	2	(164.0)	(196.6)	–	–
Administrative and other expenses		(88.6)	(75.8)	(54.0)	(51.7)
		(456.3)	(464.3)	(54.0)	(51.7)
Profit before interest and tax		1,697.3	1,794.0	871.3	974.8
Net finance income/(expense)					
Finance income	15	13.2	46.2	133.1	167.4
Finance expense	15	(93.4)	(95.5)	(157.2)	(114.1)
Net finance (expense)/income		(80.2)	(49.3)	(24.1)	53.3
Profit before income tax		1,617.1	1,744.7	847.2	1,028.1
Income tax expense	5	(113.0)	(116.8)	(11.1)	(18.4)
Profit for the year		1,504.1	1,627.9	836.1	1,009.7
Profit attributable to GL	22(a)	315.9	242.8		
Profit attributable to other entities stapled to GL	22(b)	1,188.2	1,385.1		
Profit for the year attributable to Securityholders		1,504.1	1,627.9		
Basic profit per security (¢)	3(a)	82.4	89.9		
Diluted profit per security (¢)	3(a)	80.0	87.3		

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 2020

	Note	Goodman		GIT	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Profit for the year		1,504.1	1,627.9	836.1	1,009.7
Other comprehensive income/(loss) for the year					
Items that will not be reclassified to profit or loss					
Actuarial (losses)/gains on defined benefit superannuation funds		(8.2)	3.2	–	–
Effect of foreign currency translation		0.2	(0.4)	–	–
		(8.0)	2.8	–	–
Items that are or may be reclassified subsequently to profit or loss					
Increase/(decrease) due to revaluation of other financial assets		–	–	(5.6)	1.8
Cash flow hedges:					
– Change in value of financial instruments		(1.7)	(4.9)	(1.7)	(4.9)
Effect of foreign currency translation		(26.7)	169.6	32.5	87.5
		(28.4)	164.7	25.2	84.4
Other comprehensive income/(loss) for the year, net of income tax		(36.4)	167.5	25.2	84.4
Total comprehensive income for the year		1,467.7	1,795.4	861.3	1,094.1
Total comprehensive income attributable to GL	22(a)	281.7	293.7		
Total comprehensive income attributable to other entities stapled to GL	22(b)	1,186.0	1,501.7		
Total comprehensive income for the year attributable to Securityholders		1,467.7	1,795.4		

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 2020

Goodman	Note	Attributable to Securityholders								Total
		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Defined benefit funds actuarial losses reserve	Total reserves	Retained earnings	
		\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2018		8,031.7	(6.9)	1.5	45.3	171.2	(26.1)	185.0	957.0	9,173.7
Total comprehensive income/(loss) for the year										
Profit for the year		–	–	–	–	–	–	–	1,627.9	1,627.9
Other comprehensive income/(loss)										
Effect of foreign currency translation		–	(0.2)	0.1	169.7	–	(0.4)	169.2	–	169.2
Cash flow hedges:										
– Change in value of financial instruments		–	–	(4.9)	–	–	–	(4.9)	–	(4.9)
Actuarial gains on defined benefit superannuation funds		–	–	–	–	–	3.2	3.2	–	3.2
Total other comprehensive (loss)/(income) for the year, net of income tax		–	(0.2)	(4.8)	169.7	–	2.8	167.5	–	167.5
Total comprehensive (loss)/income for the year, net of income tax		–	(0.2)	(4.8)	169.7	–	2.8	167.5	1,627.9	1,795.4
Transfers		–	–	–	–	(52.6)	–	(52.6)	52.6	–
Contributions by and distributions to owners										
Dividends/distributions on stapled securities	19	–	–	–	–	–	–	–	(544.2)	(544.2)
Equity settled share based payments transactions		–	–	–	–	97.6	–	97.6	–	97.6
Balance at 30 June 2019		8,031.7	(7.1)	(3.3)	215.0	216.2	(23.3)	397.5	2,093.3	10,522.5
Total comprehensive income/(loss) for the year										
Profit for the year		–	–	–	–	–	–	–	1,504.1	1,504.1
Other comprehensive income/(loss)										
Effect of foreign currency translation		–	(0.1)	(0.2)	(26.4)	–	0.2	(26.5)	–	(26.5)
Cash flow hedges:										
– Change in value of financial instruments		–	–	(1.7)	–	–	–	(1.7)	–	(1.7)
Actuarial losses on defined benefit superannuation funds		–	–	–	–	–	(8.2)	(8.2)	–	(8.2)
Total other comprehensive (loss)/income for the year, net of income tax		–	(0.1)	(1.9)	(26.4)	–	(8.0)	(36.4)	–	(36.4)
Total comprehensive (loss)/income for the year, net of income tax		–	(0.1)	(1.9)	(26.4)	–	(8.0)	(36.4)	1,504.1	1,467.7
Transfers		–	–	–	–	(55.3)	–	(55.3)	55.3	–
Contributions by and distributions to owners										
Dividends/distributions on stapled securities	19	–	–	–	–	–	–	–	(548.5)	(548.5)
Purchase of securities for the LTIP		–	–	–	–	(19.1)	–	(19.1)	–	(19.1)
Equity settled share based payments transactions		–	–	–	–	98.0	–	98.0	–	98.0
Balance at 30 June 2020		8,031.7	(7.2)	(5.2)	188.6	239.8	(31.3)	384.7	3,104.2	11,520.6

The consolidated statement 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 22(b).

Consolidated statements of changes in equity

for the year ended 30 June 2020

GIT	Note	Attributable to Unitholders							Total
		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Total reserves	Retained earnings	
		\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2018		7,381.3	10.5	1.5	(158.2)	129.3	(16.9)	112.3	7,476.7
Total comprehensive income/(loss) for the year									
Profit for the year		–	–	–	–	–	–	1,009.7	1,009.7
Other comprehensive income/(loss)									
Effect of foreign currency translation		–	0.3	0.1	87.1	–	87.5	–	87.5
Cash flow hedges:									
– Change in value of financial instruments		–	–	(4.9)	–	–	(4.9)	–	(4.9)
Increase due to revaluation of other financial assets		–	1.8	–	–	–	1.8	–	1.8
Total other comprehensive income/(loss) for the year, net of income tax		–	2.1	(4.8)	87.1	–	84.4	–	84.4
Total comprehensive income/(loss) for the year, net of income tax		–	2.1	(4.8)	87.1	–	84.4	1,009.7	1,094.1
Contributions by and distributions to owners									
Distributions on ordinary units	19	–	–	–	–	–	–	(453.5)	(453.5)
Issue of ordinary units under the LTIP	20(a)	96.0	–	–	–	–	–	–	96.0
Equity settled share based payments transactions		–	–	–	–	30.4	30.4	–	30.4
Balance at 30 June 2019		7,477.3	12.6	(3.3)	(71.1)	159.7	97.9	668.5	8,243.7
Total comprehensive income/(loss) for the year									
Profit for the year		–	–	–	–	–	–	836.1	836.1
Other comprehensive income/(loss)									
Effect of foreign currency translation		–	–	(0.2)	32.7	–	32.5	–	32.5
Cash flow hedges:									
– Change in value of financial instruments		–	–	(1.7)	–	–	(1.7)	–	(1.7)
Decrease due to revaluation of other financial assets		–	(5.6)	–	–	–	(5.6)	–	(5.6)
Total other comprehensive (loss)/income for the year, net of income tax		–	(5.6)	(1.9)	32.7	–	25.2	–	25.2
Total comprehensive (loss)/income for the year, net of income tax		–	(5.6)	(1.9)	32.7	–	25.2	836.1	861.3
Contributions by and distributions to owners									
Distributions on ordinary units	19	–	–	–	–	–	–	(475.4)	(475.4)
Issue of ordinary units for the LTIP	20(a)	146.2	–	–	–	–	–	–	146.2
Equity settled share based payments transactions		–	–	–	–	13.6	13.6	–	13.6
Balance at 30 June 2020		7,623.5	7.0	(5.2)	(38.4)	173.3	136.7	1,029.2	8,789.4

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

Consolidated cash flow statements

for the year ended 30 June 2020

	Note	Goodman		GIT	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Cash flows from operating activities					
Property income received		130.2	121.0	64.3	85.5
Cash receipts from development activities		1,031.4	1,181.3	–	34.7
Other cash receipts from services provided		692.1	351.8	–	–
Property expenses paid		(39.0)	(39.8)	(20.8)	(28.5)
Payments for development activities		(619.0)	(723.7)	(0.5)	(7.4)
Other cash payments in the course of operations		(337.3)	(311.5)	(50.0)	(51.3)
Distributions received from equity investments, including Partnerships		462.2	365.4	244.0	228.5
Interest received		18.1	46.2	16.4	43.2
Finance costs paid		(105.5)	(125.8)	(114.9)	(121.9)
Net income taxes paid		(76.3)	(37.4)	(3.2)	(1.5)
Net cash provided by operating activities	21(b)	1,156.9	827.5	135.3	181.3
Cash flows from investing activities					
Net proceeds from disposal of investment properties		212.3	75.2	2.4	243.2
Proceeds from disposal of controlled entities, net of cash disposed		95.6	–	–	–
Net proceeds from disposal of equity investments		0.7	123.4	0.2	115.6
Return of capital by Partnerships		428.4	–	415.0	–
Payments for investment properties		(234.3)	(94.5)	(12.9)	(10.7)
Payments for investments in Partnerships		(806.6)	(920.6)	(552.0)	(657.2)
Payments for plant and equipment		(2.5)	(1.7)	–	–
Net cash used in investing activities		(306.4)	(818.2)	(147.3)	(309.1)
Cash flows from financing activities					
Net cash flows from loans to related parties		(9.8)	(41.2)	511.7	(126.3)
Proceeds from borrowings		50.0	12.6	50.0	–
Payments on borrowings and derivative financial instruments		(118.0)	(291.9)	(0.9)	(262.5)
Dividends and distributions paid		(546.3)	(528.7)	(455.7)	(438.7)
Payments of lease liabilities		(17.7)	–	–	–
Purchase of securities for the LTIP		(19.1)	–	–	–
Net cash (used in)/provided by financing activities		(660.9)	(849.2)	105.1	(827.5)
Net increase/(decrease) in cash held		189.6	(839.9)	93.1	(955.3)
Cash and cash equivalents at the beginning of the year		1,607.1	2,406.8	1,214.4	2,129.7
Effect of exchange rate fluctuations on cash held		(3.9)	40.2	(4.9)	40.0
Cash and cash equivalents at the end of the year	21(a)	1,792.8	1,607.1	1,302.6	1,214.4

The consolidated cash flow statements are to be read in conjunction with the accompanying notes. Non-cash transactions are included in note 21(c).

Notes to the consolidated financial statements

BASIS OF PREPARATION

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

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

1 Basis of preparation

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

(a) 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 13 August 2020.

(b) 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 18-0353, 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.

(c) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

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

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

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

Exchange rates used

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

Australian dollars (AUD) to	Weighted average		As at 30 June	
	2020	2019	2020	2019
New Zealand dollars (NZD)	1.0544	1.0665	1.0694	1.0449
Hong Kong dollars (HKD)	5.2340	5.6069	5.3402	5.4761
Chinese yuan (CNY)	4.7200	4.8819	4.8688	4.8141
Japanese yen (JPY)	72.6051	79.4634	74.2910	75.6340
Euros (EUR)	0.6071	0.6269	0.6128	0.6173
British pounds sterling (GBP)	0.5329	0.5527	0.5566	0.5523
United States dollars (USD)	0.6714	0.7152	0.6890	0.7011
Brazilian real (BRL)	2.9963	2.7616	3.7602	2.6880

(d) Changes in accounting policies

Goodman and GIT have adopted AASB 16 *Leases*, with a date of initial application of 1 July 2019.

AASB 16 *Leases*

AASB 16 replaces AASB 117 *Leases* and other existing guidance on leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

Goodman applied AASB 16 on 1 July 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying this standard is recognised at the date of initial application. Comparative information has not been restated and continues to be reported under AASB 117.

Certain of GIT's Partnerships have leasehold investment properties that continue to be held at fair value. As a lessee, GIT does not directly hold any material leases and therefore the new standard will not have a material impact.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

Accounting policy applicable from 1 July 2019

(i) Definition

AASB 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Goodman applied the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 that had been identified as leases in accordance with the old leases accounting standard (AASB 117).

(ii) Lessee accounting

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change arising from the reassessment of whether Goodman will be reasonably certain to exercise an extension or termination option. The new standard will result in the gross up of assets and liabilities where Goodman leases office buildings, motor vehicles, office equipment and development land classified as inventories.

Notes to the consolidated financial statements

Basis of preparation (continued)

1 Basis of preparation (continued)

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. 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.

(iii) Leasehold investment property

Under AASB 16, Goodman is required to account for all properties on leasehold land as investment properties when these properties are held for the purpose of leasing to produce rental income and/or for capital appreciation. The adoption of AASB 16 does not have a significant impact on the Group's financial statements as the Group has previously applied AASB 140 Investment Property, to account for all of its leasehold investment properties at fair value. These leasehold investment properties will continue to be carried at fair value.

(iv) Lessor accounting

The accounting policies applicable to Goodman as a lessor remain substantially unchanged from those under AASB 17.

(v) Transitional impact

The following table summarises the impact of the adoption of AASB 16 on Goodman's consolidated statement of financial position at 1 July 2019. The comparative information at 30 June 2019 has not been restated.

Goodman

	Impact of adopting AASB 16		
	At 30 Jun 2019 \$M	Adjustments \$M	At 1 Jul 2019 \$M
Current assets			
Inventories	307.9	1.1	309.0
Total current assets	2,474.0	1.1	2,475.1
Non-current assets			
Inventories	761.1	14.8	775.9
Property, plant and equipment	16.3	56.0	72.3
Total non-current assets	12,438.8	70.8	12,509.6
Current liabilities			
Lease liabilities	–	17.1	17.1
Total current liabilities	849.0	17.1	866.1
Non-current liabilities			
Provisions	27.3	(3.4)	23.9
Lease liabilities	–	58.3	58.3
Total non-current liabilities	3,541.3	54.8	3,596.1
Net assets	10,522.5	–	10,522.5

Inventories

The adjustment to inventories arises from leasehold land held for development.

Property, plant and equipment

The right of use assets associated with the leases of office buildings, motor vehicles and office equipment are presented as property, plant and equipment.

Lease liabilities

The present value of future lease payments are presented as lease liabilities.

	At 1 Jul 2019 \$M
Operating lease commitments disclosed at 30 June 2019	104.5
Discounted using the incremental borrowing rate at 1 July 2019	(26.1)
Recognition exemption for short-term and low value assets	(3.0)
Lease liabilities recognised at 1 July 2019	75.4
Comprising:	
Current lease liabilities	17.1
Non-current lease liabilities	58.3
	75.4

Provisions

Goodman has applied the practical expedient and adjusted the right of use assets at the date of initial application by the amount provided for onerous leases.

(vi) Impact on results for the period

After the initial recognition of right of use assets and lease liabilities at 1 July 2019, Goodman, as a lessee, is required to recognise interest expense on the outstanding balance of the lease liability, and the depreciation of the right of use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact on the consolidated income statement in the current period as a result of this change in policy is not significant compared to the results if AASB 117 had continued to apply.

In the consolidated cash flow statements, Goodman, as a lessee, has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. Under AASB 117, the entire lease payment was classified within operating activities. However, the change does not have a significant impact on the presentation of cash flows.

(e) Australian Accounting Standards issued but not yet effective

The Group 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 Group.

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

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

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

- + Note 6 – Property assets
- + Note 14 – Goodwill and intangible assets
- + Note 18 – Financial risk management.

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

Notes to the consolidated financial statements

Basis of preparation (continued)

1 Basis of preparation (continued)

Measurement of fair values

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

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

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

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

- + Note 6 – Property assets
- + Note 18 – Financial risk management.

RESULTS FOR THE YEAR

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

2 Profit before income tax

Gross property income

Gross property income comprises rental income under operating leases (net of incentives provided) and amounts billed to customers for outgoing (e.g. rates, levies, cleaning, security, etc.). Amounts billed to customers for outgoing 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 investment management and property services 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 that have occurred over the performance fee period, then it is reported as development income; otherwise, the income is reported as management income. The Partnerships make payments in respect of portfolio performances fees at the end of the performance periods, once the attainment of the conditions has been verified and the amount of the fee has been agreed by all parties.

Development income – disposal of inventories

The disposal of inventories is recognised at the point in time when control over the property asset is transferred to the customer. This will generally occur on transfer of legal title and payment in full by the customer. The gain or loss on disposal of inventories is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal (less transaction costs) and is included in the income statement in the period of disposal.

Development income – development management services

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

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

Development income – fixed price development contracts

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

Net gain on disposal of investment properties

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

Employee expenses

Wages, salaries and annual leave

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

Bonuses

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

Superannuation

Defined contribution funds

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

Defined benefit funds

The net obligation in respect of defined benefit funds 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 plans are recognised in the income statement.

Notes to the consolidated financial statements

Results for the year (continued)

2 Profit before income tax (continued)

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

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Gross property income				
Rental income	94.6	93.5	53.6	63.7
Recovery of property outgoings	21.3	21.1	14.3	16.5
Gross property income	115.9	114.6	67.9	80.2
Management activities				
Management services	304.0	265.4	–	–
Performance related income	207.2	204.3	–	–
Management income	511.2	469.7	–	–
Development activities				
Income from disposal of inventories	461.8	486.2	0.3	31.5
Income from fixed price development contracts	82.8	419.7	–	–
Other development income, including development management	309.5	223.3	–	–
Net gain on disposal of special purpose development entities	28.5	5.1	–	–
Development income	882.6	1,134.3	0.3	31.5
Inventory cost of sales	(329.8)	(343.0)	(1.0)	(31.5)
Other development expenses	(113.6)	(384.3)	–	–
Development expenses	(443.4)	(727.3)	(1.0)	(31.5)
Disposal of equity investments				
Net consideration from disposal of associates and JVs		7.7	0.1	4.9
Carrying value of associates and JVs disposed	6(f)	(7.1)	–	–
Net gain on disposal of equity investments		0.6	0.1	4.9
Employee expenses				
Wages, salaries and on-costs	(195.2)	(184.0)	–	–
Annual and long service leave	(1.9)	(1.9)	–	–
Superannuation costs	(6.6)	(6.0)	–	–
Employee expenses	(203.7)	(191.9)	–	–
Share based payments expense				
Equity settled share based payments expense	(98.0)	(97.6)	–	–
Cash settled share based payments expense	(41.2)	(64.7)	–	–
Other share based payments related costs	(24.8)	(34.3)	–	–
Share based payments expense	(164.0)	(196.6)	–	–
Amortisation and depreciation	(22.5)	(6.6)	–	–

3 Profit per security

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

Goodman

	2020	2019
	¢	¢
Profit per security		
Basic profit per security	82.4	89.9
Diluted profit per security	80.0	87.3

Profit after tax of \$1,504.1 million (2019: \$1,627.9 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:

	2020	2019
	Number of securities	
Weighted average number of securities used in calculating basic profit per security/share	1,826,031,065	1,811,689,652
Effect of performance rights on issue	54,173,117	52,360,737
Weighted average number of securities used in calculating diluted profit per security/share	1,880,204,182	1,864,050,389

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.

	2020	2019
	¢	¢
Profit per Goodman Limited share		
Basic profit per Goodman Limited share	17.3	13.4
Diluted profit per Goodman Limited share	16.8	13.0

Profit after tax of \$315.9 million (2019: \$242.8 million) was used in calculating basic and diluted profit per Goodman Limited share.

Notes to the consolidated financial statements

Results for the year (continued)

4 Segment reporting

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

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

The activities and services undertaken by the operating segments include:

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

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment primarily include inventories, investment properties and the operating segment's investments in Partnerships, 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.

Information about reportable segments

Goodman	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Income statement												
External revenues												
Gross property income	105.6	104.4	0.1	1.7	–	6.7	9.7	1.6	0.5	0.2	115.9	114.6
Management income	159.6	150.4	246.2	184.5	88.0	121.4	2.3	2.1	15.1	11.3	511.2	469.7
Development income	99.6	268.2	193.8	99.0	511.3	628.6	19.0	78.4	58.9	60.1	882.6	1,134.3
Distributions from investments	–	–	–	–	1.2	–	–	–	–	–	1.2	–
Total external revenues	364.8	523.0	440.1	285.2	600.5	756.7	31.0	82.1	74.5	71.6	1,510.9	1,718.6
Analysis of external revenues												
Revenue from contracts with customers												
Assets and services transferred at a point in time	11.5	150.5	18.6	22.0	494.4	318.0	4.5	70.3	–	0.7	529.0	561.5
Assets and services transferred over time	266.1	286.7	421.5	261.6	104.9	434.5	17.0	10.2	74.0	70.7	883.5	1,063.7
Other revenue												
Rental income (excludes outgoing recoveries)	87.2	85.8	–	1.6	–	4.2	9.5	1.6	0.5	0.2	97.2	93.4
Distributions from investments	–	–	–	–	1.2	–	–	–	–	–	1.2	–
Total external revenues	364.8	523.0	440.1	285.2	600.5	756.7	31.0	82.1	74.5	71.6	1,510.9	1,718.6
Reportable segment profit/(loss) before tax	435.8	476.0	477.7	330.9	282.3	324.8	20.9	(26.0)	102.5	89.2	1,319.2	1,194.9
Share of net results of equity accounted investments	384.7	489.2	394.3	370.5	98.3	86.0	14.8	21.7	130.1	165.1	1,022.2	1,132.5
Material non-cash items not included in reportable segment profit before tax												
Net gain from fair value adjustments on investment properties	46.4	146.8	–	–	–	–	(1.2)	–	–	–	45.2	146.8
Statement of financial position												
Reportable segment assets	5,854.1	5,357.1	3,345.3	2,870.8	2,310.2	2,221.5	891.8	763.5	2,122.8	2,277.4	14,524.2	13,490.3
Non-current assets	5,445.6	5,099.5	2,938.3	2,470.1	1,870.6	1,838.7	591.2	675.5	2,017.3	1,950.1	12,863.0	12,033.9
Included in reportable segment assets are:												
Investment properties	1,894.0	1,866.2	–	–	–	–	7.2	30.9	–	–	1,901.2	1,897.1
Investments accounted for using the equity method	3,451.5	3,158.5	2,732.8	2,290.8	898.9	861.9	281.0	200.3	2,006.6	1,940.9	9,370.8	8,452.4
Reportable segment liabilities	137.1	164.9	205.9	164.9	101.6	75.5	77.9	86.6	109.5	90.9	632.0	582.8

Notes to the consolidated financial statements

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

Information about reportable segments (continued)

GIT	Australia and New Zealand		Asia		Continental Europe		Americas		Total	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Income statement										
External revenues										
Gross property income	67.9	80.2	–	–	–	–	–	–	67.9	80.2
Development income	0.3	31.5	–	–	–	–	–	–	0.3	31.5
Distributions from investments	–	–	–	–	9.9	2.9	–	–	9.9	2.9
Total external revenues	68.2	111.7	–	–	9.9	2.9	–	–	78.1	114.6
Analysis of external revenues										
Revenue from contracts with customers										
Assets and services transferred at a point in time	0.3	31.5	–	–	–	–	–	–	0.3	31.5
Assets and services transferred over time	14.3	16.5	–	–	–	–	–	–	14.3	16.5
Other revenue										
Rental income (excludes outgoings recoveries)	53.6	63.7	–	–	–	–	–	–	53.6	63.7
Distributions from investments	–	–	–	–	9.9	2.9	–	–	9.9	2.9
Total external revenues	68.2	111.7	–	–	9.9	2.9	–	–	78.1	114.6
Reportable segment profit before tax	180.9	183.7	34.3	32.9	64.9	48.1	70.8	38.3	350.9	303.0
Share of net results of equity accounted investments	332.2	422.7	284.7	174.6	83.2	60.2	125.4	159.1	825.5	816.6
Material non-cash items not included in reportable segment profit before tax										
Net gain from fair value adjustments on investment properties	36.5	142.3	–	–	–	–	–	–	36.5	142.3
Statement of financial position										
Reportable segment assets	4,405.5	3,899.4	1,510.6	1,103.0	779.1	739.6	1,953.8	2,065.9	8,649.0	7,807.9
Non-current assets	4,153.2	3,877.9	1,510.6	1,103.0	778.1	739.2	1,934.5	1,871.1	8,376.4	7,591.2
Included in reportable segment assets are:										
Investment properties	1,202.4	1,158.6	–	–	–	–	–	–	1,202.4	1,158.6
Investments accounted for using the equity method	2,944.8	2,712.8	1,510.6	1,103.0	758.4	714.1	1,934.5	1,871.1	7,148.3	6,401.0
Reportable segment liabilities	91.3	138.8	–	–	–	(0.3)	82.3	63.4	173.6	201.9

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

	Note	Goodman		GIT	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Revenues					
Total revenue for reportable segments		1,510.9	1,718.6	78.1	114.6
Consolidated revenues		1,510.9	1,718.6	78.1	114.6
Profit or loss					
Total profit before tax for reportable segments¹					
Property investment earnings		425.2	372.1		
Management earnings		511.2	469.7		
Development earnings		575.7	509.2		
Operating expenses allocated to reportable segments		(192.9)	(156.1)		
Reportable segment profit before tax		1,319.2	1,194.9	350.9	303.0
Corporate expenses not allocated to reportable segments		(99.4)	(111.6)	(53.6)	(51.4)
		1,219.8	1,083.3	297.3	251.6
Valuation and other items not included in reportable segment profit before tax:					
– Net gain from fair value adjustments on investment properties	6(e)	45.2	146.8	36.5	142.3
– Share of fair value adjustments attributable to investment properties in Partnerships ²	6(f)	591.7	746.6	536.0	559.8
– Share of fair value adjustments on derivative financial instruments in Partnerships	6(f)	16.2	20.4	15.0	18.8
– Share based payments expense		(164.0)	(196.6)	–	–
– Straight lining of rental income		(11.6)	(6.5)	(13.5)	2.3
Profit before interest and tax		1,697.3	1,794.0	871.3	974.8
Net finance (expense)/income	15	(80.2)	(49.3)	(24.1)	53.3
Consolidated profit before income tax		1,617.1	1,744.7	847.2	1,028.1
Assets					
Assets for reportable segments		14,524.2	13,490.3	8,649.0	7,807.9
Cash		1,042.9	1,013.4	1,039.5	1,013.3
Other unallocated amounts ³		571.1	409.1	3,563.6	3,632.7
Consolidated total assets		16,138.2	14,912.8	13,252.1	12,453.9
Liabilities					
Liabilities for reportable segments		632.0	582.8	173.6	201.9
Interest bearing liabilities		2,938.5	2,975.0	2,939.5	2,864.3
Provisions for dividends/distributions to Securityholders	19	274.3	272.1	201.1	181.4
Other unallocated amounts ³		772.8	560.4	1,148.5	962.6
Consolidated total liabilities		4,617.6	4,390.3	4,462.7	4,210.2

1. The allocation of GIT's segment results to property investment, management and development is not reported to the Group Chief Executive Officer.

2. Net of \$14.4 million (2019: \$nil) included in development earnings for Goodman.

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.

Notes to the consolidated financial statements

Results for the year (continued)

5 Taxation

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

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

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

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

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

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

Goodman

	2020 \$M	2019 \$M
Current tax expense recognised in the income statement		
Current year	(128.5)	(72.8)
Adjustment for current tax in prior periods	5.5	1.3
Current tax expense	(123.0)	(71.5)
Deferred tax expense recognised in the income statement		
Origination and reversal of temporary differences	10.0	(45.3)
Deferred tax expense	10.0	(45.3)
Total income tax expense¹	(113.0)	(116.8)

1. Total income tax expense includes deferred taxes of \$15.6 million (2019: \$21.7 million) on fair value adjustments on investment properties

Reconciliation of income tax expense to profit before income tax

	2020 \$M	2019 \$M
Profit before income tax	1,617.1	1,744.7
Prima facie income tax expense calculated at 30% (2019: 30%) on the profit before income tax	(485.1)	(523.4)
Decrease/(increase) in income tax due to:		
– Profit attributable to GIT Unitholders	252.6	301.7
– Current year losses for which no deferred tax asset was recognised	(3.4)	(14.8)
– Non-deductible impairment losses and fair value movements	(0.7)	(0.4)
– Other non-assessable/(deductible) items, net	101.3	63.0
– Utilisation of previously unrecognised tax losses	39.5	54.4
– Difference in overseas tax rates	5.5	29.5
– Adjustment for current tax in prior periods	5.5	1.3
– Taxes on partnership income	(25.8)	(22.3)
– Other items	(2.4)	(5.8)
Income tax expense	(113.0)	(116.8)

Current tax receivable/payable

	2020 \$M	2019 \$M
Net income tax payable		
Net income tax payable at the beginning of the year	(85.0)	(50.1)
Decrease/(increase) in current tax payable due to:		
– Net income taxes paid	76.3	37.4
– Current tax expense	(123.0)	(71.5)
– Other	(0.1)	(0.8)
Net income tax payable at the end of the year	(131.8)	(85.0)
Current tax receivables (refer to note 7)	9.0	7.6
Current tax payables	(140.8)	(92.6)
	(131.8)	(85.0)

Notes to the consolidated financial statements

Results for the year (continued)

5 Taxation (continued)

Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Investment properties	–	–	(119.4)	(112.8)
Receivables	–	–	(3.4)	(46.2)
Tax losses	–	14.5	–	–
Payables	11.3	15.1	–	–
Provisions	10.1	5.9	–	–
Other items	–	0.2	(9.9)	–
Tax assets/(liabilities)	21.4	35.7	(132.7)	(159.0)
Set off of tax	(10.9)	(28.9)	10.9	28.9
Net tax assets/(liabilities)	10.5	6.8	(121.8)	(130.1)

Deferred tax assets of \$219.9 million (2019: \$248.8 million) in relation to tax losses and payables have not been recognised by Goodman.

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.

The income tax expense recorded by GIT relates to withholding taxes on actual distributions and deferred taxes on potential future distributions from Partnerships. At 30 June 2020, deferred tax liabilities of \$82.3 million (2019: \$62.8 million) have been recognised in relation to potential future distributions from Partnerships.

OPERATING ASSETS AND LIABILITIES

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

6 Property assets

(a) Principles and policies

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

Inventories

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

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

Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. Changes in the fair value of investment properties are recognised directly in the income statement.

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial report.

Investment property carrying values include the costs of acquiring the assets and subsequent costs of development, including costs of all labour and materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development periods.

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

Classification of investment properties

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

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

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

Deposits for investment properties

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

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

(b) Summary of investment in property assets

	Note	Goodman		GIT	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Inventories					
Current	6(d)	544.1	307.9	–	–
Non-current	6(d)	636.1	761.1	5.9	6.5
		1,180.2	1,069.0	5.9	6.5
Investment properties					
Stabilised investment properties		1,797.9	1,756.4	1,192.4	1,147.7
Investment properties under development		103.3	140.7	10.0	10.9
	6(e)	1,901.2	1,897.1	1,202.4	1,158.6
Investments accounted for using the equity method					
Associates	6(f)(i)	5,617.2	4,856.0	4,761.4	4,120.4
JVs	6(f)(ii)	3,753.6	3,596.4	2,386.9	2,280.6
		9,370.8	8,452.4	7,148.3	6,401.0
Total property assets		12,452.2	11,418.5	8,356.6	7,566.1

(c) Estimates and assumptions in determining property carrying values

Inventories

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

Investment properties

Stabilised investment properties

The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted 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 institutional investors)
- + Categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

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

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

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

Market assessment

The lockdowns and economic impacts from the COVID-19 pandemic commenced at different times, with Asia affected from December 2019 and rest of the world from February/March 2020. The independent valuers would normally calculate fair values using both observable capitalisation rates and discounted cash flows. At the start of the pandemic the independent valuers were concerned that historic market transactional evidence would not be appropriate to use in their assessments of the valuations of the investment properties and certain of their valuations undertaken at March 2020 for the Partnerships placed a greater reliance on the discounted cash flow methodology and most valuation reports included a reference to the material uncertainty that existed in the market at that time.

However, in the last quarter of the financial year, it became clear that asset values in the industrial, logistics and warehousing sector had been less impacted than those for other real asset classes. This was evidenced by market transactions in the three months ended 30 June 2020 that were completed at values consistent with the reported valuations from the independent valuers. Accordingly, at 30 June 2020, the independent valuers have been able to prepare valuations using both observable capitalisation rates and discounted cash flows and relatively few valuation reports included a reference to the uncertainty in the market that was specific to the subject property.

At 30 June 2020, 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.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

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

Division	Total portfolio weighted average capitalisation rate			
	Goodman		GIT	
	2020 %	2019 %	2020 %	2019 %
Australia and New Zealand	5.1	5.4	5.1	5.3
Asia	4.7	4.8	4.2	4.3
Continental Europe	4.9	5.1	5.0	5.2
United Kingdom	4.5	4.8	–	–
Americas	4.4	4.6	4.4	4.6

During the current financial year, the fair values of 59% (2019: 76%) of stabilised investment properties held directly by Goodman were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued. The equivalent percentage for GIT was 42% (2019: 97%).

For investments in Partnerships, all properties that were stabilised investment properties throughout FY20 were valued by an independent valuer during the year.

Sensitivity analysis

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation method used (see note 1(f)). The stabilised investment property valuations at 30 June 2020 are most sensitive to the following inputs:

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

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

Valuation technique	Significant unobservable inputs	2020	2019
Income capitalisation	Range of net market rents (per square metre per annum)	\$44 to \$320	\$40 to \$320
	Capitalisation rate (weighted average)	5.2%	5.4%

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

	Goodman		GIT	
	Directly held properties \$M	Partnerships ¹ \$M	Directly held properties \$M	Partnerships ¹ \$M
Book value at 30 June 2020	1,797.9	10,116.3	1,192.4	7,700.2
Changes in capitalisation rates:				
Increase in cap rates +50bps	(158.0)	(964.1)	(109.7)	(744.5)
Increase in cap rates +25bps	(82.6)	(506.4)	(57.5)	(391.3)
Decrease in cap rates -25bps	91.0	563.6	63.7	436.1
Decrease in cap rates -50bps	191.7	1,194.6	134.6	925.2
Changes in market rents:				
Decrease in rents -10%	(70.5)	(449.7)	(53.5)	(333.7)
Decrease in rents -5%	(35.3)	(224.8)	(26.8)	(166.8)
Increase in rents +5%	35.3	224.8	26.8	166.8
Increase in rents +10%	70.5	449.7	53.5	333.7
Changes in voids/incentives²:				
Increase in voids/ incentives +6 months	(10.7)	(62.1)	(13.2)	(43.6)
Increase in voids/ incentives +3 months	(5.3)	(31.1)	(6.6)	(21.8)

1. Goodman's share of stabilised investment properties held by Partnerships.

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

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location, size and current status of the development and is generally in a market range of 10% to 15%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

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

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

(d) Inventories

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Current				
Land and development properties	544.1	307.9	–	–
	544.1	307.9	–	–
Non-current				
Land and development properties	636.1	761.1	5.9	6.5
	636.1	761.1	5.9	6.5

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 \$6.7 million (2019: \$23.1 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	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Carrying amount at the beginning of the year	1,897.1	1,774.6	1,158.6	1,222.4
Capital expenditure	123.4	59.7	8.5	9.2
Carrying value of properties disposed	(165.2)	(30.4)	(1.0)	(215.4)
Transfers to inventories	–	(54.5)	–	–
Net gain from fair value adjustments	45.2	146.8	36.5	142.3
Effect of foreign currency translation	0.7	0.9	(0.2)	0.1
Carrying amount at the end of the year	1,901.2	1,897.1	1,202.4	1,158.6
Analysed by segment:				
Australia and New Zealand	1,894.0	1,866.2	1,202.4	1,158.6
United Kingdom	7.2	30.9	–	–
	1,901.2	1,897.1	1,202.4	1,158.6

Goodman

During the financial year, borrowing costs of \$1.8 million (2019: \$0.6 million) previously capitalised into the carrying value of investment properties were expensed to the income statement on disposal of the investment properties.

Non-cancellable operating lease commitments receivable from investment property customers

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

	Goodman		GIT	
	2020 ¹ \$M	2019 \$M	2020 \$M	2019 \$M
Non-cancellable operating lease commitments receivable:				
Less than one year	85.8	83.8	47.0	47.9
One to two years	71.4	64.1	39.3	34.5
Two to three years	54.3	48.7	27.6	27.5
Three to four years	44.7	36.9	20.3	17.0
Four to five years	33.3	29.0	14.4	11.3
More than five years	190.3	128.3	29.1	26.8
	479.8	390.8	177.7	165.0

1. Excludes gross operating income of \$83.2 million in respect of a leased property that was disposed in July 2020.

(f) Investments accounted for using the equity method

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

Associates

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

JVs

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

Transactions eliminated on consolidation

Unrealised gains arising from asset disposals to associates and JVs are eliminated to the extent of Goodman's interest. Unrealised gains relating to associates and JVs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains unless they evidence an impairment of an asset.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

(i) Investments in associates

Investments in associates are set out below:

Name of associate	Country of establishment	Goodman						GIT					
		Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
		2020 \$M	2019 \$M	2020 %	2019 %	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 %	2019 %	2020 \$M	2019 \$M
Property investment													
Goodman Australia Industrial Partnership (GAIP)	Australia	201.8	273.8	28.8	28.4	1,729.8	1,543.4	201.8	273.8	28.8	28.4	1,729.8	1,543.4
Goodman Australia Partnership (GAP)	Australia	91.6	118.5	19.9	19.9	762.6	759.9	91.6	118.5	19.9	19.9	762.6	759.9
Goodman Property Trust (GMT) ¹	New Zealand	52.1	65.9	21.4	21.6	490.8	433.3	-	-	-	-	-	-
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	284.7	174.5	20.2	20.1	1,510.6	1,103.0	284.7	174.5	20.2	20.1	1,510.6	1,103.0
Goodman Japan Core Partnership (GJCP) ²	Japan	32.5	21.4	15.5	16.5	365.0	302.3	-	-	-	-	-	-
Goodman European Partnership (GEP)	Luxembourg	83.2	60.3	20.4	20.4	758.4	714.1	83.2	60.3	20.4	20.4	758.4	714.1
		745.9	714.4			5,617.2	4,856.0	661.3	627.1			4,761.4	4,120.4

1. GMT is listed on the New Zealand Stock Exchange (NZX). The market value of Goodman's investment in GMT at 30 June 2020 using the quoted price on the last day of trading was \$565.6 million (2019: \$520.6 million).

2. Goodman's ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

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

Movement in carrying amount of investments in associates	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Carrying amount at the beginning of the year	4,856.0	4,162.4	4,120.4	3,569.8
Share of net results after tax (before fair value adjustments)	226.8	223.9	191.4	183.6
Share of fair value adjustments attributable to investment properties after tax	493.3	469.7	445.6	424.3
Share of fair value adjustments on derivative financial instruments	25.8	20.8	24.3	19.2
Share of net results	745.9	714.4	661.3	627.1
Share of movements in reserves	(1.8)	(4.8)	(1.8)	(4.8)
Acquisitions	272.6	86.8	187.9	35.1
Disposals	(6.8)	(5.6)	-	-
Capital return	(59.7)	-	(59.7)	-
Distributions received and receivable	(207.6)	(211.2)	(172.0)	(181.4)
Effect of foreign currency translation	18.6	114.0	25.3	74.6
Carrying amount at the end of the year	5,617.2	4,856.0	4,761.4	4,120.4

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

	GAIP		GAP		GMT		GHKLP		GJCP ²		GEP	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Summarised statement of financial position												
Total current assets	230.3	347.3	170.9	170.7	13.6	22.6	129.7	64.9	326.2	152.2	1,422.6	186.0
Total non-current assets	8,406.4	7,653.1	4,385.5	3,952.4	2,954.6	2,641.4	8,913.5	7,392.9	3,486.8	2,841.5	5,043.6	5,824.7
Total current liabilities	114.9	367.1	111.4	111.0	111.8	27.3	216.6	568.5	25.7	21.6	365.9	282.8
Total non-current liabilities	2,575.2	2,251.1	682.8	280.1	611.2	673.7	1,411.1	1,446.5	1,424.5	1,140.1	2,376.7	2,222.0
Net assets (100%)	5,946.6	5,382.2	3,762.2	3,732.0	2,245.2	1,963.0	7,415.5	5,442.8	2,362.8	1,832.0	3,723.6	3,505.9
Summarised statement of comprehensive income												
Revenue	428.0	415.8	258.7	245.3	139.0	129.0	294.5	266.1	265.4	177.5	357.4	320.5
Profit after tax and revaluations	730.5	979.8	460.1	595.4	243.0	309.0	1,409.9	871.7	191.8	119.9	404.0	297.7
Other comprehensive income/(loss)	-	-	-	-	-	-	(8.8)	(24.0)	-	-	-	-
Total comprehensive income (100%)	730.5	979.8	460.1	595.4	243.0	309.0	1,401.1	847.7	191.8	119.9	404.0	297.7
Goodman												
Consolidated ownership interest	28.8%	28.4%	19.9%	19.9%	21.4%	21.6%	20.2%	20.1%	15.5%	16.5%	20.4%	20.4%
Consolidated share of net assets	1,711.5	1,527.0	749.1	743.0	480.9	423.8	1,498.6	1,091.8	365.5	302.3	758.4	714.1
Other items, including capitalised costs	1.0	0.9	0.2	0.3	9.9	9.5	1.5	1.1	(0.5)	-	-	-
Distributions receivable ¹	17.3	15.5	13.3	16.6	-	-	10.5	10.1	-	-	-	-
Carrying amount of investment	1,729.8	1,543.4	762.6	759.9	490.8	433.3	1,510.6	1,103.0	365.0	302.3	758.4	714.1
Distributions received and receivable	66.3	75.1	29.2	32.1	18.4	17.3	32.7	34.4	17.2	12.5	43.8	39.8
GIT												
Consolidated ownership interest	28.8%	28.4%	19.9%	19.9%	-	-	20.2%	20.1%	-	-	20.4%	20.4%
Consolidated share of net assets	1,711.5	1,527.0	749.1	743.0	-	-	1,498.6	1,091.8	-	-	758.4	714.1
Other items, including capitalised costs	1.0	0.9	0.2	0.3	-	-	1.5	1.1	-	-	-	-
Distributions receivable ¹	17.3	15.5	13.3	16.6	-	-	10.5	10.1	-	-	-	-
Carrying amount of investment in associate	1,729.8	1,543.4	762.6	759.9	-	-	1,510.6	1,103.0	-	-	758.4	714.1
Distributions received and receivable	66.3	75.1	29.2	32.1	-	-	32.7	34.4	-	-	43.8	39.8

1. Distributions receivable related to distributions provided for but not paid by the associates at 30 June 2020. This was applicable to trusts in Australia where unitholders were presently entitled to income at the end of the financial year.

2. The consolidated ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

(ii) Investments in JVs

A summary of the results and ownership interest of principal JVs is set out below:

Goodman							
Name of JV	Country of establishment/ incorporation	Share of net results		Ownership interest		Investment carrying amount	
		2020 \$M	2019 \$M	2020 %	2019 %	2020 \$M	2019 \$M
Property investment							
KWASA Goodman Industrial Partnership (KGIP)	Australia	20.0	17.6	40.0	40.0	189.2	176.3
KWASA Goodman Germany (KGG) ¹	Luxembourg	13.0	22.9	20.5	19.3	137.4	140.8
Property development							
Goodman Japan Development Partnership (GJDP)	Japan	49.4	53.4	50.0	50.0	119.3	192.0
Property investment and development							
Goodman China Logistics Partnership (GCLP)	Cayman Islands	30.3	122.6	20.0	20.0	737.2	690.3
Goodman UK Partnership (GUKP)	United Kingdom	14.8	20.9	33.3	33.3	277.0	196.3
Goodman North America Partnership (GNAP)	United States of America	127.7	163.9	55.0	55.0	1,988.5	1,923.9
Other JVs ²		21.1	16.8			305.0	276.8
		276.3	418.1			3,753.6	3,596.4

1. The consolidated ownership interest in KGG reflected the weighted average ownership in the various property investment vehicles.

2. Other JVs includes the investment in Goodman Brazil Logistics Partnership.

GIT							
Name of JV	Country of establishment/ incorporation	Share of net results		Ownership interest		Investment carrying amount	
		2020 \$M	2019 \$M	2020 %	2019 %	2020 \$M	2019 \$M
Property investment							
KWASA Goodman Industrial Partnership (KGIP)	Australia	20.0	17.6	40.0	40.0	189.2	176.3
KWASA Goodman Germany (KGG) ¹	Luxembourg	-	-	-	-	-	-
Property development							
Goodman Japan Development Partnership (GJDP)	Japan	-	-	-	-	-	-
Property investment and development							
Goodman China Logistics Partnership (GCLP)	Cayman Islands	-	-	-	-	-	-
Goodman UK Partnership (GUKP)	United Kingdom	-	-	-	-	-	-
Goodman North America Partnership (GNAP)	United States of America	123.1	157.9	53.0	53.0	1,916.4	1,854.0
Other JVs ²		21.1	14.0			281.3	250.3
		164.2	189.5			2,386.9	2,280.6

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

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

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Movement in carrying amount of investments in JVs				
Carrying amount at the beginning of the year	3,596.4	2,423.1	2,280.6	1,452.1
Share of net results after tax (before fair value adjustments)	173.1	141.6	83.1	54.4
Share of fair value adjustments attributable to investment properties after tax	112.8	276.9	90.4	135.5
Share of fair value adjustments on derivative financial instruments	(9.6)	(0.4)	(9.3)	(0.4)
Share of net results	276.3	418.1	164.2	189.5
Share of movements in reserves	(25.8)	(39.8)	–	–
Reclassification of loan to related party	(3.3)	–	–	–
Acquisitions	504.2	824.2	335.8	612.5
Disposals	(0.3)	–	–	–
Transfer to assets held for sale	(11.2)	–	–	–
Capital return	(368.6)	–	(355.2)	–
Distributions/dividends received and receivable	(252.8)	(154.6)	(62.3)	(44.2)
Effect of foreign currency translation	38.7	125.4	23.8	70.7
Carrying amount at the end of the year	3,753.6	3,596.4	2,386.9	2,280.6

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

	KGIP		KGG ¹		GJDP		GCLP ²		GUKP		GNAP	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Summarised statement of financial position												
Current assets												
Cash and cash equivalents	9.0	1.9	36.5	14.5	112.6	166.7	231.1	218.1	38.6	21.0	39.6	41.4
Other current assets	1.8	1.6	6.5	2.7	16.1	18.5	73.5	32.3	2.0	1.2	0.1	1.2
Total current assets	10.8	3.5	43.0	17.2	128.7	185.2	304.6	250.4	40.6	22.2	39.7	42.6
Total non-current assets	718.4	688.4	1,215.1	1,319.7	378.5	501.1	4,741.5	4,421.8	813.4	572.2	4,291.7	3,537.6
Current liabilities												
Other current liabilities	16.4	15.5	88.8	76.3	28.7	7.2	2,736.5	2,333.6	15.5	6.8	58.5	90.1
Total current liabilities	16.4	15.5	88.8	76.3	28.7	7.2	2,736.5	2,333.6	15.5	6.8	58.5	90.1
Non-current liabilities												
Financial liabilities	248.0	241.0	460.8	530.3	232.0	283.2	390.1	503.5	–	–	653.1	1.1
Other non-current liabilities	1.4	2.8	37.2	–	12.8	17.1	509.8	456.2	–	–	13.4	–
Total non-current liabilities	249.4	243.8	498.0	530.3	244.8	300.3	899.9	959.7	–	–	666.5	1.1
Net assets (100%)	463.4	432.6	671.3	730.3	233.7	378.8	1,409.7	1,378.9	838.5	587.6	3,606.4	3,489.0
Summarised statement of comprehensive income												
Revenue	43.4	44.5	100.0	63.9	519.6	440.3	193.3	159.9	17.0	16.7	170.1	80.0
Net finance (expense)/income	(7.6)	(9.0)	(5.6)	(8.3)	(0.8)	(0.7)	(22.4)	(20.7)	52.0	(5.6)	(18.0)	(0.2)
Income tax expense	–	–	(22.3)	(4.1)	(3.1)	(2.9)	(23.9)	(21.4)	–	–	(0.4)	(0.4)
Profit after tax and revaluations	50.0	43.9	80.2	108.6	98.8	109.7	151.4	613.2	44.5	61.9	301.6	333.7
Other comprehensive income	–	–	–	–	–	–	(129.0)	(198.8)	–	–	–	–
Total comprehensive income (100%)	50.0	43.9	80.2	108.6	98.8	109.7	22.4	414.4	44.5	61.9	301.6	333.7

	KGIP		KGG ¹		GJDP		GCLP ²		GUKP		GNAP	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Goodman												
Consolidated ownership interest	40.0%	40.0%	20.5%	19.3%	50.0%	50.0%	20.0%	20.0%	33.3%	33.3%	55.0%	55.0%
Consolidated share of net assets	185.4	173.0	137.4	140.8	116.9	189.4	282.0	275.8	279.5	195.8	1,983.5	1,919.0
Shareholder loan ²	–	–	–	–	–	–	451.9	411.2	–	–	–	–
Other items, including capitalised costs	–	–	–	–	2.4	2.6	3.4	3.3	(2.5)	0.5	5.0	4.9
Distributions receivable	3.8	3.3	–	–	–	–	–	–	–	–	–	–
Carrying amount of investment	189.2	176.3	137.4	140.8	119.3	192.0	737.2	690.3	277.0	196.3	1,988.5	1,923.9
Distributions/dividends received and receivable	7.1	7.7	20.4	7.6	163.7	82.8	3.1	11.7	–	–	53.6	33.1
GIT												
Consolidated ownership interest	40.0%	40.0%	–	–	–	–	–	–	–	–	53.0%	53.0%
Consolidated share of net assets	185.4	173.0	–	–	–	–	–	–	–	–	1,911.4	1,849.2
Other items, including capitalised costs	–	–	–	–	–	–	–	–	–	–	5.0	4.8
Distributions receivable	3.8	3.3	–	–	–	–	–	–	–	–	–	–
Carrying amount of investment in JV	189.2	176.3	–	–	–	–	–	–	–	–	1,916.4	1,854.0
Distributions/dividends received and receivable	7.1	7.7	–	–	–	–	–	–	–	–	51.6	31.9

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

With respect to Goodman's other JVs, the total profit after tax and revaluations was \$92.9 million (2019: \$71.3 million) and total other comprehensive income was \$nil (2019: \$nil). With respect to GIT's other JVs, the total profit after tax and revaluations was \$107.5 million (2019: \$72.2 million) and total other comprehensive income was \$nil (2019: \$nil).

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

7 Receivables

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

Receivables are derecognised when the contractual rights to the cash flows from the receivable expire or the Group transfers the rights to receive the contractual cash flows on the receivable in a transaction in which substantially all the risks and rewards of the receivable are transferred.

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Current				
Trade receivables	15.6	11.0	2.7	–
Tax receivables	9.0	7.6	3.0	–
Other receivables	91.6	111.6	4.3	13.8
Amounts due from related parties ¹	132.4	119.4	0.3	3.0
Loans to related parties ¹	33.7	–	1,591.8	1,825.0
	282.3	249.6	1,602.1	1,841.8
Non-current				
Other receivables	8.1	8.4	–	–
Loans to related parties ¹	100.2	116.3	1,487.4	1,431.3
	108.3	124.7	1,487.4	1,431.3

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

The Group's trade receivables balances make up only a small proportion of the consolidated net assets. The majority of customers have paid and continue to pay rental income in line with agreed leases. Goodman has provided limited short-term rental assistance for some customers and has assessed the receivables balances at 30 June 2020 for expected credit losses (risk of non-payment). However, the level of provisioning was not significant in the context of the Group's financial position.

8 Contract balances

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

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

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

	Goodman	
	2020 \$M	2019 \$M
Current		
Receivables, which are included in trade receivables, other receivables and amounts due from related parties	146.1	145.2
Contract assets	25.7	308.1
Contract liabilities	12.3	6.0
Non-current		
Contract liabilities	1.5	3.0

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

	Goodman			
	2020		2019	
	Contract assets \$M	Contract liabilities \$M	Contract assets \$M	Contract liabilities \$M
Balance at the beginning of the year	308.1	9.0	145.4	26.4
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	(1.6)	–	(17.6)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	6.5	–	–
Transfers from contract assets to receivables	(823.9)	(0.1)	(481.2)	–
Increase due to changes in the measure of progress during the year	531.3	–	635.1	–
Effect of foreign currency translation	10.2	–	8.8	0.2
Balance at the end of the year	25.7	13.8	308.1	9.0
Current contract assets and liabilities	25.7	12.3	308.1	6.0
Non-current contract liabilities	–	1.5	–	3.0
	25.7	13.8	308.1	9.0

Transaction price allocated to the remaining contract obligations

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

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

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

9 Assets held for sale

In March 2020, the Group together with GEP entered into an agreement with a third party to dispose a portfolio of property assets and the Group's operating platform in the Czech Republic, Hungary, Poland and Slovakia. The disposal was completed on 8 July 2020. Accordingly, at 30 June 2020, the directly held assets and liabilities to be disposed have been presented as a disposal group held for sale.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

9 Assets held for sale (continued)

Assets and liabilities of disposal group held for sale

At 30 June 2020, the disposal group was held at the lower of carrying amount, and fair value less costs to sell, and comprised of the following assets and liabilities within the Continental Europe segment:

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

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

No impairment losses have been recognised in FY20 in respect of the disposal group.

10 Payables

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

Trade and other payables are derecognised when the contractual obligations are discharged or cancelled or expire.

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

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Current				
Trade payables	74.8	73.2	0.8	3.0
Other payables and accruals	497.4	380.1	125.8	119.8
Contract liabilities	12.3	6.0	–	–
Loans from related parties ¹	–	–	528.7	584.8
	584.5	459.3	655.3	707.6
Non-current				
Other payables and accruals	83.9	169.5	0.2	50.0
Contract liabilities	1.5	3.0	–	–
Loans from related parties ¹	–	–	231.3	102.3
	85.4	172.5	231.5	152.3

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

11 Provisions

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

	Note	Goodman		GIT	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Current					
Dividends/distributions to Securityholders	19	274.3	272.1	201.1	181.4
Other provisions		15.1	12.9	–	–
		289.4	285.0	201.1	181.4
Non-current					
Net defined benefit superannuation funds in the United Kingdom		24.8	18.5	–	–
Other provisions		4.2	8.8	–	–
		29.0	27.3	–	–

12 Property, plant and equipment

	2020 \$M	2019 \$M
Property, plant and equipment at cost	115.6	59.4
Accumulated amortisation	(64.7)	(43.1)
Property, plant and equipment at net book value¹	50.9	16.3

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

13 Leases

Refer to note 1(d) for the accounting policy on leases.

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

	2020 \$M
Right of use assets	
Inventories	28.4
Investment properties	71.6
Property, plant and equipment	37.1
	137.1
Lease liabilities	
Current	17.6
Non-current	29.2
	46.8

The following were recognised during the year:

	2020 \$M
Additions to right of use assets	47.9
Depreciation for right of use assets	17.1
Interest expense on lease liabilities	1.3
Cash outflows on lease liabilities	17.7

14 Goodwill and intangible assets

Goodman recognises both goodwill and indefinite life management rights in its statement of financial position.

Goodwill

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

Management rights

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

Management rights are stated at cost less impairment. Management rights are not amortised as they are assumed to have an indefinite life given they are routinely renewed at minimal cost and on broadly similar terms.

Impairment

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

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

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

A summary of Goodman's goodwill and intangible assets are set out by below:

	Goodman	
	2020 \$M	2019 \$M
Goodwill	735.1	730.8
Management rights	110.7	109.2
	845.8	840.0

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

	2020 \$M	2019 \$M
Analysed:		
Goodwill		
Continental Europe	620.8	615.9
United Kingdom	88.4	89.2
Other	25.9	25.7
Subtotal – goodwill	735.1	730.8
Management rights		
Continental Europe	35.3	35.0
Other	75.4	74.2
Subtotal – management rights	110.7	109.2
Total	845.8	840.0

Notes to the consolidated financial statements

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

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

Cost	Balance at 30 June 2018 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2019 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2020 \$M
Goodwill					
Continental Europe	608.0	15.6	623.6	5.0	628.6
United Kingdom	127.1	1.9	129.0	(1.1)	127.9
Other	31.4	2.0	33.4	0.3	33.7
Subtotal – goodwill	766.5	19.5	786.0	4.2	790.2
Management rights					
Continental Europe	34.1	0.9	35.0	0.3	35.3
Other	81.5	4.2	85.7	1.5	87.2
Subtotal – management rights	115.6	5.1	120.7	1.8	122.5
Total	882.1	24.6	906.7	6.0	912.7

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

Impairment losses	Balance at 30 June 2018 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2019 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2020 \$M
Goodwill					
Continental Europe	7.5	0.2	7.7	0.1	7.8
United Kingdom	39.2	0.6	39.8	(0.3)	39.5
Other	7.5	0.2	7.7	0.1	7.8
Subtotal – goodwill	54.2	1.0	55.2	(0.1)	55.1
Management rights					
Other	11.2	0.3	11.5	0.3	11.8
Subtotal – management rights	11.2	0.3	11.5	0.3	11.8
Total	65.4	1.3	66.7	0.2	66.9

Impairments and reversals of impairments

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

Impairment testing for intangible assets

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

The impairment tests for all intangible assets are based on each division's value in use. Value in use is determined by discounting the future projected cash flows generated from continuing operations. These cash flows are for a five year period, with a year five terminal value calculated using a terminal growth rate and an appropriate discount rate for each division.

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

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

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

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

Key assumptions

		Continental Europe	United Kingdom
Value in use (A\$M)	2020	2,341.7	153.6
	2019	1,388.1	138.4
Pre-tax discount rate (per annum)	2020	9.4%	8.6%
	2019	11.1%	9.5%
Average annual development (million square metres)	2020	0.60	0.16
	2019	0.77	0.18
Average annual growth in assets under management (AUM)	2020	3.4%	28.9%
	2019	7.9%	39.2%

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 5 year forecast period.

Value in use

The increase in the Continental Europe value in use compared to the prior year reflects the strategic focus on high value real estate. Following the disposal of the operations in central and eastern Europe, the Group will concentrate its management and capital resources to activities in Goodman's core western and southern markets. The scale of the Group's development projects will continue to grow due to the high value nature of the sites and the complexity associated with development of infill locations. This is expected to result in higher margins, commensurate with the increased scale and complexity of the projects, sustaining development earnings for the long term.

The value in use for the United Kingdom has increased compared to the prior year due to the growth in GUKP over the past 12 months.

Discount rates

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

Notes to the consolidated financial statements

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

Developments

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

Continental Europe

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

United Kingdom

The activity will continue to be focused on the core markets close to London and along the M1 corridor. In the short term, developments will include a number of sites that have already been acquired. The division's development activity over the next five years is forecast to be 0.16 million square metres per annum, on average, which will be undertaken by GUKP, with Goodman earning development management fee income. The estimated cash outflow from Goodman and GUKP required to finance the assumed development pipeline across the forecast period is A\$0.32 billion per annum.

Sources of funding for development activity

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

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

AUM

For Continental Europe, the average annual increase in AUM of 3.4% (2019: 7.9%) over the forecast period is lower than the prior year forecasts due to the disposal of assets in central and eastern Europe. The projected AUM assumes that most of the development over the forecast period is for Partnerships. For the purpose of the value in use assessments, capitalisation rates are expected to be stable over the period and no portfolio performance revenue is assumed.

For United Kingdom, the significant percentage growth in AUM over the period reflects the fact that GUKP is a relatively new Partnership, with AUM forecast to grow from £0.5 billion to approximately £1.6 billion. During FY20, GUKP secured a number of sites that will be developed over the next three years and underpin the projected growth. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

Assumptions impacting the terminal year

		Continental Europe	United Kingdom
Growth rate applied to future cash flows (per annum)	2020	0.6%	1.0%
	2019	1.0%	1.6%
Development in terminal year (million square metres)	2020	0.60	0.19
	2019	0.70	0.18
Development in terminal year (cost in A\$B)	2020	0.96	0.36
	2019	0.99	0.36

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

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

CAPITAL MANAGEMENT

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

15 Net finance (expense)/income

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	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Finance income				
Interest income from:				
– Related parties	1.3	0.4	123.2	79.3
– Other parties	11.9	39.1	9.9	36.4
Fair value adjustments on derivative financial instruments	–	6.7	–	38.5
Foreign exchange gains	–	–	–	13.2
	13.2	46.2	133.1	167.4
Finance expense				
Interest expense from third party loans, overdrafts and derivatives	(86.6)	(91.8)	(98.9)	(89.5)
Interest expense from related party loans	–	–	(9.5)	(19.6)
Other borrowing costs	(8.7)	(7.7)	(16.2)	(5.0)
Fair value adjustments on derivative financial instruments	(9.4)	–	(6.0)	–
Foreign exchange losses	(0.1)	(10.3)	(26.6)	–
Capitalised borrowing costs ¹	11.4	14.3	–	–
	(93.4)	(95.5)	(157.2)	(114.1)
Net finance (expense)/income	(80.2)	(49.3)	(24.1)	53.3

1. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 1.7% and 4.2% per annum (2019: 2.5% and 4.9% per annum).

Notes to the consolidated financial statements

Capital management (continued)

16 Interest bearing liabilities

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

	Note	Goodman		GIT	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Current					
Unsecured:					
– USD denominated notes	16(b)	260.1	–	260.1	–
		260.1	–	260.1	–
Non-current					
Unsecured:					
– Bank loans	16(a)	50.0	112.4	50.0	–
– USD denominated notes	16(b)	1,659.2	1,904.9	1,659.2	1,904.9
– EUR denominated notes	16(c)	815.9	810.0	815.9	810.0
– Foreign private placement	16(d)	168.3	165.3	168.3	165.3
Borrowing costs		(15.0)	(17.6)	(14.0)	(15.9)
		2,678.4	2,975.0	2,679.4	2,864.3

(a) Bank loans, unsecured

Facility maturity date	Goodman		GIT	
	Facility limit \$M	Amounts drawn \$M	Facility limit \$M	Amounts drawn \$M
30 Sep 2022	107.7	–	–	–
30 Sep 2022	201.9	–	–	–
30 Sep 2022	201.9	–	–	–
31 Mar 2023	75.0	–	75.0	–
1 Jul 2023	50.0	50.0	50.0	50.0
31 Dec 2023	50.0	–	50.0	–
30 Jun 2024	75.0	–	75.0	–
31 Jul 2024	145.1	–	145.1	–
30 Sep 2024	54.4	–	54.4	–
30 Sep 2024	37.5	–	37.5	–
31 Dec 2024	122.4	–	122.4	–
30 Jun 2020	1,120.9	50.0	609.4	50.0
30 Jun 2019	1,198.0	112.4	695.6	–

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

(b) USD denominated notes

As at 30 June 2020, Goodman and GIT had notes on issue in the United States 144A/Reg S bond market as follows:

Notes maturity date	Carrying amount		Face value		Coupon (fixed) per annum
	A\$M	US\$M	A\$M	US\$M	
15 Apr 2021	260.1	179.2	253.3	174.5	6.375%
22 Mar 2022	425.5	293.2	405.3	279.3	6.000%
15 Mar 2028	762.0	525.0	762.0	525.0	3.700%
15 Oct 2037	471.7	325.0	471.7	325.0	4.500%
30 Jun 2020	1,919.3	1,322.4	1,892.3	1,303.8	
30 Jun 2019	1,904.9	1,335.5	1,859.6	1,303.8	

On 14 July 2020, a notice of early redemption was issued in relation to the outstanding principal amount of the notes due for payment on 15 April 2021. This transaction is due to settle on 14 August 2020. These notes are disclosed as a current liability in the consolidated statements of financial position of Goodman and GIT.

(c) EUR denominated notes

As at 30 June 2020, Goodman and GIT had A\$815.9 million (2019: A\$810.0 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.

Notes to the consolidated financial statements

Capital management (continued)

16 Interest bearing liabilities (continued)

(d) Foreign private placement

As at 30 June 2020, Goodman and GIT had A\$168.3 million (2019: A\$165.3 million)(¥12.5 billion) in a foreign private placement denominated in Japanese yen. The facility has a fixed coupon of 3.32% per annum payable semi-annually and expires on 3 April 2023.

(e) Finance facilities

	Goodman		GIT	
	Facilities available \$M	Facilities utilised \$M	Facilities available \$M	Facilities utilised \$M
30 June 2020				
Unsecured:				
– Bank loans	1,120.9	50.0	609.4	50.0
– USD denominated notes ¹	1,892.3	1,892.3	1,892.3	1,892.3
– EUR denominated notes	815.9	815.9	815.9	815.9
– Foreign private placement	168.3	168.3	168.3	168.3
– Bank guarantees ²	–	32.8	–	–
	3,997.4	2,959.3	3,485.9	2,926.5
30 June 2019				
Unsecured:				
– Bank loans	1,198.0	112.4	695.6	–
– USD denominated notes ¹	1,859.6	1,859.6	1,859.6	1,859.6
– EUR denominated	810.0	810.0	810.0	810.0
– Foreign private placement	165.3	165.3	165.3	165.3
– Bank guarantees ²	–	22.5	–	–
	4,032.9	2,969.8	3,530.5	2,834.9

1. Facilities available and facilities utilised in respect of the USD denominated notes represent the face value of the notes on issue and exclude the fair value adjustment of A\$27.0 million (2019: A\$45.3 million) that is being amortised over the period to maturity.

2. 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.

17 Other financial assets and liabilities

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

Derivative financial instruments and hedging

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

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

Cash flow hedges

Certain of Goodman and GIT's associates and JVs continue to designate derivative financial instruments as cash flow hedges for accounting purposes. Goodman's and GIT's share of the effective portion of changes in the fair value of derivative financial instruments in associates and JVs that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised in the income statement.

Other financial assets

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Current				
Derivative financial instruments	59.3	1.3	59.3	1.3
	59.3	1.3	59.3	1.3
Non-current				
Derivative financial instruments ¹	405.8	337.7	424.4	373.9
Investment in unlisted securities, at fair value	3.0	2.7	19.7	25.1
	408.8	340.4	444.1	399.0

1. Includes fair values of derivative financial instruments equating to \$292.5 million (2019: \$222.4 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Other financial liabilities

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Current				
Derivative financial instruments	50.4	12.1	50.4	12.1
	50.4	12.1	50.4	12.1
Non-current				
Derivative financial instruments ¹	331.0	236.4	302.6	229.7
	331.0	236.4	302.6	229.7

1. Includes fair values of derivative financial instruments equating to \$194.0 million (2019: \$123.6 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Notes to the consolidated financial statements

Capital management (continued)

18 Financial risk management

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

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

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

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

Capital management

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

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

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

(a) Market risk

Foreign exchange risk

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

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

Goodman's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same currency as the overseas investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS) and foreign exchange contracts (FEC).

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

As at 30 June 2020, the principal that was used to hedge its exposures using derivatives and the weighted average exchange rates, by currency, are set out below:

Goodman

	2020			2019		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	NZD'M	A\$M	AUD/NZD	NZD'M	A\$M	AUD/NZD
AUD receivable/NZD payable	(400.0)	368.3	1.0864	(400.0)	368.3	1.0864
	HKD'M	A\$M	AUD/HKD	HKD'M	A\$M	AUD/HKD
AUD receivable/HKD payable	(5,190.0)	908.6	5.7260	(4,690.0)	817.7	5.7382
	EUR'M	A\$M	AUD/EUR	EUR'M	A\$M	AUD/EUR
AUD receivable/EUR payable	(495.0)	803.0	0.6165	(495.0)	803.0	0.6165
	GBP'M	A\$M	AUD/GBP	GBP'M	A\$M	AUD/GBP
AUD receivable/GBP payable	(280.0)	496.6	0.5660	(280.0)	496.6	0.5660
	USD'M	A\$M	AUD/USD	USD'M	A\$M	AUD/USD
AUD receivable/USD payable	(450.0)	634.6	0.7141	(450.0)	634.6	0.7092
	JPY'M	A\$M	AUD/JPY	JPY'M	A\$M	AUD/JPY
AUD receivable/JPY payable	(21,000.0)	278.3	75.4695	(13,000.0)	168.9	77.0115
	CNY'M	US\$'M	USD/CNY	CNY'M	US\$'M	USD/CNY
USD receivable/CNY payable	(3,823.9)	500.0	7.6477	(2,649.0)	372.1	7.1189

GIT

	2020			2019		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	NZD'M	A\$M	AUD/NZD	NZD'M	A\$M	AUD/NZD
AUD receivable/NZD payable	(400.0)	368.3	1.0864	(400.0)	368.3	1.0864
	HKD'M	A\$M	AUD/HKD	HKD'M	A\$M	AUD/HKD
AUD receivable/HKD payable	(5,190.0)	908.6	5.7260	(4,690.0)	817.7	5.7382
	GBP'M	A\$M	AUD/GBP	GBP'M	A\$M	AUD/GBP
AUD receivable/GBP payable	(280.0)	496.6	0.5660	(280.0)	496.6	0.5660
	USD'M	A\$M	AUD/USD	USD'M	A\$M	AUD/USD
AUD receivable/USD payable	(450.0)	634.6	0.7141	(450.0)	634.6	0.7092
	JPY'M	A\$M	AUD/JPY	JPY'M	A\$M	AUD/JPY
AUD receivable/JPY payable	(21,000.0)	278.3	75.4695	(13,000.0)	168.9	77.0115
	CNY'M	US\$'M	USD/CNY	CNY'M	US\$'M	USD/CNY
USD receivable/CNY payable	-	-	-	(2,649.0)	372.1	7.1189

In addition to the derivatives detailed in the table above, GIT also has a FEC with a controlled entity of GL to hedge that entity's USD exposure. On maturity of the contract, GIT will receive USD 81.8 million from GL (2019: USD 240.0 million) and pay GBP 53.8 million to GL (2019: GBP 156.2 million).

Notes to the consolidated financial statements

Capital management (continued)

18 Financial risk management (continued)

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% stronger against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by A\$58.2 million (2019: A\$56.0 million decrease) for Goodman and A\$22.7 million (2019: A\$18.0 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\$58.2 million (2019: A\$56.0 million increase) for Goodman and A\$22.7 million (2019: A\$18.0 million) for GIT.

Interest rate risk

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

As at 30 June 2020, 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 position A\$M
30 June 2020				
Fixed rate liabilities	2,903.5	–	156.9	3,060.4
Floating rate liabilities/(assets)	50.0	41.1	(156.9)	(65.8)
	2,953.5	41.1	–	2,994.6
30 June 2019				
Fixed rate liabilities	2,880.2	–	176.9	3,057.1
Floating rate liabilities	112.4	72.8	(176.9)	8.3
	2,992.6	72.8	–	3,065.4

GIT

	Interest bearing liabilities A\$M	Impact of derivatives CCIRS A\$M	IRD A\$M	Net position A\$M
30 June 2020				
Fixed rate liabilities	2,903.5	–	(169.4)	2,734.1
Floating rate liabilities	50.0	36.3	169.4	255.7
	2,953.5	36.3	–	2,989.8
30 June 2019				
Fixed rate liabilities	2,880.2	–	176.9	3,057.1
Floating rate liabilities	–	73.9	(176.9)	(103.0)
	2,880.2	73.9	–	2,954.1

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that existed at 30 June 2020, Goodman and GIT would have the following fixed interest rate exposure (by principal) at the end of each of the next five financial years. This assumes all interest bearing liabilities and derivative financial instruments mature in accordance with current contractual terms.

Goodman

Number of years post balance date	2020		2019	
	Fixed interest rate (by principal) A\$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) A\$M	Weighted average interest rate % per annum
1 year	2,962.1	3.02	2,962.9	3.52
2 years	2,730.9	2.51	2,834.6	3.42
3 years	2,777.1	2.04	2,448.3	3.11
4 years	2,977.2	1.91	2,346.5	2.64
5 years	2,694.0	2.13	2,188.1	2.53

GIT

Number of years post balance date	2020		2019	
	Fixed interest rate (by principal) A\$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) A\$M	Weighted average interest rate % per annum
1 year	2,601.7	3.52	2,962.9	3.52
2 years	2,241.4	3.16	2,834.6	3.42
3 years	2,287.6	2.58	2,448.3	3.11
4 years	2,555.4	2.30	2,346.5	2.64
5 years	2,530.8	2.29	2,188.1	2.53

Sensitivity analysis

Throughout the financial year, if interest rates on borrowings (based on the interest bearing liabilities and derivative financial instruments in place at the end of the year) had been 100 basis points higher/lower, with all other variables held constant, the profit attributable to Securityholders would have increased/decreased by A\$0.7 million (2019: decreased/increased by A\$0.1 million) for Goodman and decreased/increased by A\$2.6 million (2019: increased/decreased by A\$1.0 million) for GIT.

Price risk

Goodman and GIT are not materially exposed to price risk.

Notes to the consolidated financial statements

Capital management (continued)

18 Financial risk management (continued)

(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. 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.

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 2020								
Non-derivative financial liabilities								
Payables	656.1	656.1	572.2	50.3	16.8	11.2	5.6	–
Lease liabilities	46.8	56.3	17.6	11.3	4.5	2.2	1.5	19.2
Bank loans, unsecured ¹	50.0	50.0	–	–	–	50.0	–	–
USD denominated notes, unsecured	1,919.3	2,554.1	362.5	472.5	49.4	49.4	49.4	1,570.9
EUR denominated notes, unsecured	815.9	883.1	19.7	11.2	11.2	11.2	11.2	818.6
Foreign private placement, unsecured	168.3	185.0	6.9	5.6	172.5	–	–	–
Total non-derivative financial liabilities	3,656.4	4,384.6	978.9	550.9	254.4	124.0	67.7	2,408.7
Derivative financial (assets)/liabilities – net								
Net settled ²	(124.8)	(127.9)	(55.1)	(35.9)	(20.2)	(0.6)	3.2	(19.3)
Gross settled ³ :								
(Inflow)	–	(495.7)	(72.0)	(93.9)	(74.3)	(152.2)	(34.2)	(69.1)
Outflow	41.0	521.3	74.4	82.9	99.1	133.5	27.9	103.5
Total derivative financial (assets)/liabilities – net	(83.8)	(102.3)	(52.7)	(46.9)	4.6	(19.3)	(3.1)	15.1
As at 30 June 2019								
Non-derivative financial liabilities								
Payables	622.8	622.8	453.3	44.6	32.7	27.9	30.8	33.5
Bank loans, unsecured ¹	112.4	112.4	–	–	–	112.4	–	–
USD denominated notes, unsecured	1,904.9	2,598.5	110.6	334.0	464.3	48.6	48.6	1,592.4
EUR denominated notes, unsecured	810.0	887.8	19.6	11.1	11.1	11.1	11.1	823.8
Foreign private placement, unsecured	165.3	187.2	6.8	5.5	5.5	169.4	–	–
Total non-derivative financial liabilities	3,615.4	4,408.7	590.3	395.2	513.6	369.4	90.5	2,449.7
Derivative financial (assets)/liabilities – net								
Net settled ²	(83.8)	(106.9)	(14.3)	(37.5)	(26.5)	(9.6)	(7.9)	(11.1)
Gross settled ³ :								
(Inflow)	(6.7)	(603.8)	(98.6)	(95.1)	(111.9)	(102.7)	(130.1)	(65.4)
Outflow	–	645.0	98.5	92.2	97.4	115.9	95.8	145.2
Total derivative financial (assets)/liabilities – net	(90.5)	(65.7)	(14.4)	(40.4)	(41.0)	3.6	(42.2)	68.7

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.

The contractual maturities of financial liabilities are set out below:

	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 year(s)	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
GIT	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
As at 30 June 2020								
Non-derivative financial liabilities								
Payables	886.8	886.8	655.3	127.0	–	–	–	104.5
Bank loans, unsecured ¹	50.0	50.0	–	–	–	50.0	–	–
USD denominated notes, unsecured	1,919.3	2,554.1	362.5	472.5	49.4	49.4	49.4	1,570.9
EUR denominated notes, unsecured	815.9	883.1	19.7	11.2	11.2	11.2	11.2	818.6
Foreign private placement, unsecured	168.3	185.0	6.9	5.6	172.5	–	–	–
Total non-derivative financial liabilities	3,840.3	4,559.1	1,044.4	616.3	233.1	110.6	60.6	2,494.0
Derivative financial (assets)/liabilities – net								
Net settled ²	(143.4)	(145.0)	(54.5)	(35.5)	(23.4)	(6.8)	(6.5)	(18.3)
Gross settled ³ :								
(Inflow)	–	(444.3)	(65.2)	(85.8)	(64.8)	(140.7)	(22.4)	(65.4)
Outflow	12.7	466.5	74.4	82.9	99.1	133.5	27.9	48.7
Total derivative financial (assets)/liabilities – net	(130.7)	(122.8)	(45.3)	(38.4)	10.9	(14.0)	(1.0)	(35.0)
As at 30 June 2019								
Non-derivative financial liabilities								
Payables	859.9	859.9	707.6	13.5	10.5	5.8	8.7	113.8
USD denominated notes, unsecured	1,904.9	2,598.5	110.6	334.0	464.3	48.6	48.6	1,592.4
EUR denominated notes, unsecured	810.0	887.8	19.6	11.1	11.1	11.1	11.1	823.8
Foreign private placement, unsecured	165.3	187.2	6.8	5.5	5.5	169.4	–	–
Total non-derivative financial liabilities	3,740.1	4,533.4	844.6	364.1	491.4	234.9	68.4	2,530.0
Derivative financial (assets)/liabilities – net								
Net settled ²	(83.8)	(106.9)	(14.3)	(37.5)	(26.5)	(9.6)	(7.9)	(11.1)
Gross settled ³ :								
(Inflow)	(49.6)	(856.2)	(84.9)	(81.8)	(98.7)	(87.7)	(115.9)	(387.2)
Outflow	–	833.4	98.5	92.2	97.4	115.9	95.4	333.9
Total derivative financial (assets)/liabilities – net	(133.4)	(129.7)	(0.7)	(27.1)	(27.8)	18.6	(28.4)	(64.4)

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)

18 Financial risk management (continued)

(c) Credit risk

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

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

Goodman has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. Goodman evaluates all customers' perceived credit risk and may require the lodgement of rental bonds or bank guarantees, as appropriate, to reduce credit risk. In addition, all rents are payable monthly in advance. Bank guarantees are accepted from financial institutions which have an investment grade credit rating from a major rating agency.

Concentration of credit risk may exist due to receivables in respect of the disposals of investment properties. The credit risk is minimised as legal title to the properties is only transferred upon receipt of proceeds and typically Goodman will have either received a cash deposit or be the beneficiary of a bank guarantee for 10% to 20% of the total proceeds.

In relation to material bank deposits, Goodman minimises credit risk by dealing with major financial institutions. The counterparty must have a long-term credit rating that is a minimum of an "A" category (or equivalent) from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

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

- + Transacting with multiple derivatives counterparties that have a long-term investment grade credit rating
- + Utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer below)
- + Formally reviewing the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting 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\$294.7 million (2019: A\$209.6 million) and A\$291.9 million (2019: A\$207.2 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:

	Note	Goodman				GIT			
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
		2020 \$M	2020 \$M	2019 \$M	2019 \$M	2020 \$M	2020 \$M	2019 \$M	2019 \$M
Financial assets									
Cash and cash equivalents	21(a)	1,781.9	1,781.9	1,607.1	1,607.1	1,302.6	1,302.6	1,214.4	1,214.4
Receivables	7	390.6	390.6	374.3	374.3	3,089.5	3,089.5	3,273.1	3,273.1
Other financial assets:	17								
– IRD		160.3	160.3	38.3	38.3	158.3	158.3	102.2	102.2
– CCIRS		231.5	231.5	259.3	259.3	231.5	231.5	176.3	176.3
– FEC		73.3	73.3	41.4	41.4	93.9	93.9	96.7	96.7
– Investments in unlisted securities		3.0	3.0	2.7	2.7	19.7	19.7	25.1	25.1
		2,640.6	2,640.6	2,323.1	2,323.1	4,895.5	4,895.5	4,887.8	4,887.8
Financial liabilities									
Payables	10	656.1	656.1	622.8	622.8	886.8	886.8	859.9	859.9
Interest bearing liabilities ¹	16	2,938.5	3,083.1	2,975.0	3,048.0	2,939.5	3,083.1	2,864.3	2,935.7
Other financial liabilities:	17								
– IRD		35.5	35.5	3.6	3.6	35.5	35.5	18.4	18.4
– CCIRS		277.1	277.1	212.8	212.8	268.9	268.9	187.8	187.8
– FEC		68.8	68.8	32.1	32.1	48.6	48.6	35.6	35.6
		3,976.0	4,120.6	3,846.3	3,919.3	4,179.3	4,322.9	3,966.0	4,037.4

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2020.

Fair value hierarchy

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

	Goodman				GIT			
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2020								
Derivative financial assets	–	465.1	–	465.1	–	483.7	–	483.7
Investment in unlisted securities	–	–	3.0	3.0	–	–	19.7	19.7
	–	465.1	3.0	468.1	–	483.7	19.7	503.4
Derivative financial liabilities	–	381.4	–	381.4	–	353.0	–	353.0
	–	381.4	–	381.4	–	353.0	–	353.0
As at 30 June 2019								
Derivative financial assets	–	339.0	–	339.0	–	375.2	–	375.2
Investment in unlisted securities	–	–	2.7	2.7	–	–	25.1	25.1
	–	339.0	2.7	341.7	–	375.2	25.1	400.3
Derivative financial liabilities	–	248.5	–	248.5	–	241.8	–	241.8
	–	248.5	–	248.5	–	241.8	–	241.8

There were no transfers between the levels during the year.

Notes to the consolidated financial statements

Capital management (continued)

18 Financial risk management (continued)

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

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

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

19 Dividends and distributions

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

Goodman

FY20 dividends/distributions

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

FY19 dividends/distributions

	Dividends/distributions cents per security	Total amount \$M	Date of payment
GL	–	–	n/a
GIT			
– 31 Dec 2018	15.00	272.1	26 Feb 2019
– 30 Jun 2019	10.00	181.4	9 Sep 2019
GLHK	5.00	90.7	9 Sep 2019
	30.00	544.2	

GIT

In FY20, GIT's distributions were 26.0 cents per security (2019: 25.0 cents per security) amounting to \$475.4 million (2019: \$453.5 million).

Movement in provision for dividends/distributions to Securityholders

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Balance at the beginning of the year	272.1	256.6	181.4	166.6
Provisions for dividends/distributions	548.5	544.2	475.4	453.5
Dividends/distributions paid	(546.3)	(528.7)	(455.7)	(438.7)
Balance at the end of the year	274.3	272.1	201.1	181.4

20 Issued capital

(a) Ordinary securities

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

			Goodman		GIT	
	2020	2019	2020	2019	2020	2019
	Number of securities		\$M	\$M	\$M	\$M
Stapled securities – issued and fully paid	1,828,413,236	1,813,881,995	8,192.2	8,192.2	7,772.0	7,625.8
Less: Accumulated issue costs			(160.5)	(160.5)	(148.5)	(148.5)
Total issued capital			8,031.7	8,031.7	7,623.5	7,477.3

Terms and conditions

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

Movement in ordinary securities

Date	Details	Number of securities	Goodman \$M	GIT \$M
30 Jun 2018	Balance before accumulated issue costs	1,800,763,877	8,192.2	7,529.8
31 Aug 2018	Securities issued to employees under the LTIP	13,118,118	–	96.0
30 Jun 2019	Balance before accumulated issue costs	1,813,881,995	8,192.2	7,625.8
31 Aug 2019	Securities issued to employees under the LTIP	14,531,241	–	146.2
	Less: Accumulated issue costs		(160.5)	(148.5)
30 Jun 2020	Closing balance	1,828,413,236	8,031.7	7,623.5

(b) Share based payments

LTIP

The Group's share based payments primarily relate to performance rights awarded to employees under the LTIP. These performance rights entitle an employee to either acquire Goodman securities for \$nil consideration (equity settled performance rights) or, in certain jurisdictions, to receive an amount in cash equal to the value of the securities (cash settled performance rights), subject to the vesting conditions having been satisfied. Further details regarding the vesting conditions are included in the remuneration report section of the Directors' report.

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

	Number of rights	
	2020	2019
Outstanding at the beginning of the year	79,062,163	75,434,623
Granted	14,435,282	21,486,688
Exercised	(17,969,122)	(14,925,092)
Forfeited	(1,540,678)	(2,934,056)
Outstanding at the end of the year	73,987,645	79,062,163
Exercisable at the end of the year	–	–

Notes to the consolidated financial statements

Capital management (continued)

20 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 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 accumulated share based payments expense of performance rights which have vested or lapsed is transferred from the employee compensation reserve to retained earnings.

The fair value of cash settled performance rights is also recognised as an expense but with a corresponding increase in liabilities over the vesting period. The expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are expected to be met. The liability is remeasured at each reporting date and at the vesting date based on the fair value of the rights.

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

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

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

	Rights issued on 20 Nov 2019	Rights issued on 30 Sep 2019
Fair value at measurement date (\$)	11.48	11.26
Security price (\$)	14.44	14.18
Exercise price (\$)	–	–
Expected volatility (%)	18.54	18.86
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	2.08	2.12
Average risk free rate of interest per annum (%)	0.76	0.75

The amounts recognised as an expense are set out in note 2. At 30 June 2020, a liability of \$91.0 million (2019: \$87.4 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 sets out other information that is required to be disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

21 Notes to the cash flow statements

(a) Reconciliation of cash

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

	Note	Goodman		GIT	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Bank balances		1,128.8	950.5	649.5	557.8
Call deposits		653.1	656.6	653.1	656.6
		1,781.9	1,607.1	1,302.6	1,214.4
Cash classified as assets held for sale	9	10.9	–	–	–
		1,792.8	1,607.1	1,302.6	1,214.4

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

	Goodman		GIT	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Profit for the year	1,504.1	1,627.9	836.1	1,009.7
Items classified as investing activities				
Net gain on disposal of investment properties	(54.5)	(15.3)	(9.1)	(8.0)
Net gain on disposal of equity investments	(0.6)	(12.6)	(0.1)	(4.9)
Non-cash items				
Amortisation and depreciation	22.5	6.6	–	–
Share based payments expense	156.1	169.1	–	–
Net gain from fair value adjustments on investment properties	(45.2)	(146.8)	(36.5)	(142.3)
Share of net results of equity accounted investments	(1,022.2)	(1,132.5)	(825.5)	(816.6)
Net finance expense/(income)	80.2	49.3	24.1	(53.3)
Income tax expense	113.0	116.8	11.1	18.4
	753.4	662.5	0.1	3.0
Changes in assets and liabilities during the year:				
– Decrease/(increase) in receivables	259.2	(78.0)	0.2	0.2
– (Increase)/decrease in inventories	(207.0)	(8.1)	0.6	31.0
– Decrease in other assets	3.9	1.4	2.5	2.7
– Increase/(decrease) in payables	45.3	13.0	(0.4)	(1.0)
– Increase/(decrease) in provisions	4.8	(11.7)	–	–
	859.6	579.1	3.0	35.9
Distributions/dividends received from Partnerships	461.0	365.4	234.0	225.6
Net finance costs paid	(87.4)	(79.6)	(98.5)	(78.7)
Net income taxes paid	(76.3)	(37.4)	(3.2)	(1.5)
Net cash provided by operating activities	1,156.9	827.5	135.3	181.3

Notes to the consolidated financial statements

Other items (continued)

21 Notes to the cash flow statements (continued)

(c) Non-cash transactions

During the current and prior financial years, there were no significant non-cash transactions.

(d) Reconciliation of liabilities arising from financing activities

Goodman	Interest bearing liabilities \$M	Derivative financial instruments \$M	Provision for distributions \$M	Lease liabilities \$M	Total \$M
Balance at 1 July 2018	3,081.5	(39.8)	256.6	–	3,298.3
Changes from financing cash flows					
Proceeds from borrowings	12.6	–	–	–	12.6
Payments on borrowings and derivative financial instruments	(249.4)	(42.5)	–	–	(291.9)
Distributions paid	–	–	(528.7)	–	(528.7)
Total changes from financing cash flows	(236.8)	(42.5)	(528.7)	–	(808.0)
Effect of changes in foreign exchange rates	140.8	(1.5)	–	–	139.3
Changes in fair value	(14.9)	(6.7)	–	–	(21.6)
Other changes					
Other borrowing costs	4.4	–	–	–	4.4
Distributions declared	–	–	544.2	–	544.2
Total other changes	4.4	–	544.2	–	548.6
Balance at 30 June 2019	2,975.0	(90.5)	272.1	–	3,156.6
Impact of adopting AASB 16 on 1 July 2019	–	–	–	75.4	75.4
Changes from financing cash flows					
Proceeds from borrowings	50.0	–	–	–	50.0
Payments on borrowings and derivative financial instruments	(117.1)	(0.9)	–	–	(118.0)
Payment of lease liabilities	–	–	–	(17.7)	(17.7)
Distributions paid	–	–	(546.3)	–	(546.3)
Total changes from financing cash flows	(67.1)	(0.9)	(546.3)	(17.7)	(632.0)
Effect of changes in foreign exchange rates	48.8	(1.8)	–	–	47.0
Changes in fair value	(18.2)	9.4	–	–	(8.8)
Other changes					
Interest expense on lease liabilities	–	–	–	1.3	1.3
Other movements	–	–	–	(12.2)	(12.2)
Distributions declared	–	–	548.5	–	548.5
Total other changes	–	–	548.5	(10.9)	537.6
Balance at 30 June 2020	2,938.5	(83.7)	274.3	46.8	3,175.9

GIT	Interest bearing liabilities \$M	Derivatives used for hedging \$M	Provision for distributions \$M	Loans with related parties, net \$M	Total \$M
Balance at 1 July 2018	2,964.9	(50.7)	166.6	(2,210.7)	870.1
Changes from financing cash flows					
Net cash flows from loans to related parties	–	–	–	(126.3)	(126.3)
Payments on borrowings and derivative financial instruments	(220.1)	(42.4)	–	–	(262.5)
Distributions paid	–	–	(438.7)	–	(438.7)
Total changes from financing cash flows	(220.1)	(42.4)	(438.7)	(126.3)	(827.5)
Effect of changes in foreign exchange rates	134.7	(1.9)	–	(24.2)	108.6
Changes in fair value	(17.9)	(38.4)	–	–	(56.3)
Other changes					
Issue of units under the LTIP	–	–	–	(96.0)	(96.0)
Equity settled share based payments transactions	–	–	–	(30.4)	(30.4)
Interest income	–	–	–	(79.3)	(79.3)
Interest expense	–	–	–	19.6	19.6
Interest paid	–	–	–	(21.9)	(21.9)
Other borrowing costs	2.7	–	–	–	2.7
Distributions declared	–	–	453.5	–	453.5
Total other changes	2.7	–	453.5	(208.0)	248.2
Balance at 30 June 2019	2,864.3	(133.4)	181.4	(2,569.2)	343.1
Changes from financing cash flows					
Net cash flows from loans to related parties	–	–	–	511.7	511.7
Proceeds from borrowings	50.0	–	–	–	50.0
Payments on borrowings and derivative financial instruments	–	(0.9)	–	–	(0.9)
Distributions paid	–	–	(455.7)	–	(455.7)
Total changes from financing cash flows	50.0	(0.9)	(455.7)	511.7	105.1
Effect of changes in foreign exchange rates	41.3	(2.4)	–	18.3	57.2
Changes in fair value	(18.3)	6.0	–	–	(12.3)
Other changes					
Issue of units under the LTIP	–	–	–	(146.2)	(146.2)
Equity settled share based payments transactions	–	–	–	(13.6)	(13.6)
Interest income	–	–	–	(123.2)	(123.2)
Interest expense	–	–	–	9.5	9.5
Interest paid	–	–	–	(6.5)	(6.5)
Other borrowing costs	2.2	–	–	–	2.2
Distributions declared	–	–	475.4	–	475.4
Total other changes	2.2	–	475.4	(280.0)	197.6
Balance at 30 June 2020	2,939.5	(130.7)	201.1	(2,319.2)	690.7

Notes to the consolidated financial statements

Other items (continued)

22 Equity attributable to Goodman Limited and non-controlling interests

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

(a) Equity attributable to Goodman Limited

Goodman	Attributable to Goodman Limited						Total \$M
	Issued capital \$M	Foreign currency translation reserve \$M	Employee compensation reserve \$M	Defined benefit funds actuarial losses reserve \$M	Total reserves \$M	Retained earnings \$M	
Balance at 1 July 2018	483.2	(50.8)	20.9	(26.1)	(56.0)	155.3	582.5
Total comprehensive income/(loss) for the year							
Profit for the year	–	–	–	–	–	242.8	242.8
Other comprehensive income/(loss)							
Effect of foreign currency translation	–	48.1	–	(0.4)	47.7	–	47.7
Actuarial gains on defined benefit superannuation funds	–	–	–	3.2	3.2	–	3.2
Total comprehensive income for the year, net of income tax	–	48.1	–	2.8	50.9	242.8	293.7
Transfers	–	–	(52.6)	–	(52.6)	52.6	–
Contributions by and distributions to owners							
Equity settled share based payments transactions	–	–	60.0	–	60.0	–	60.0
Balance at 30 June 2019	483.2	(2.7)	28.3	(23.3)	2.3	450.7	936.2
Total comprehensive income/(loss) for the year							
Profit for the year	–	–	–	–	–	315.9	315.9
Other comprehensive income/(loss)							
Effect of foreign currency translation	–	(34.2)	–	–	(34.2)	–	(34.2)
Total comprehensive (loss)/income for the year, net of income tax	–	(34.2)	–	–	(34.2)	315.9	281.7
Transfers	–	–	(55.3)	–	(55.3)	55.3	–
Contributions by and distributions to owners							
Purchase of securities for the LTIP	–	–	(19.1)	–	(19.1)	–	(19.1)
Equity settled share based payments transactions	–	–	79.2	–	79.2	–	79.2
Balance at 30 June 2020	483.2	(36.9)	33.1	(23.3)	(27.1)	821.9	1,278.0

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

Attributable to other entities stapled to Goodman Limited (non-controlling interests)									
	Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Defined benefit funds actuarial losses reserve	Total reserves	Retained earnings	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2018	7,548.5	(6.9)	1.5	96.1	150.3	–	241.0	801.7	8,591.2
Total comprehensive income/(loss) for the year									
Profit for the year	–	–	–	–	–	–	–	1,385.1	1,385.1
Other comprehensive income/(loss)									
Effect of foreign currency translation	–	(0.2)	0.1	121.6	–	–	121.5	–	121.5
Other changes	–	–	(4.9)	–	–	–	(4.9)	–	(4.9)
Total comprehensive (loss)/income for the year, net of income tax	–	(0.2)	(4.8)	121.6	–	–	116.6	1,385.1	1,501.7
Contributions by and distributions to owners									
Distributions on ordinary units	–	–	–	–	–	–	–	(544.2)	(544.2)
Equity settled share based payments transactions	–	–	–	–	37.6	–	37.6	–	37.6
Balance at 30 June 2019	7,548.5	(7.1)	(3.3)	217.7	187.9	–	395.2	1,642.6	9,586.3
Total comprehensive income/(loss) for the year									
Profit for the year	–	–	–	–	–	–	–	1,188.2	1,188.2
Other comprehensive income/(loss)									
Effect of foreign currency translation	–	(0.1)	(0.2)	7.8	–	0.2	7.7	–	7.7
Actuarial losses on defined benefit superannuation funds	–	–	–	–	–	(8.2)	(8.2)	–	(8.2)
Other changes	–	–	(1.7)	–	–	–	(1.7)	–	(1.7)
Total comprehensive (loss)/income for the year, net of income tax	–	(0.1)	(1.9)	7.8	–	(8.0)	(2.2)	1,188.2	1,186.0
Contributions by and distributions to owners									
Distributions on ordinary units	–	–	–	–	–	–	–	(548.5)	(548.5)
Equity settled share based payments transactions	–	–	–	–	18.8	–	18.8	–	18.8
Balance at 30 June 2020	7,548.5	(7.2)	(5.2)	225.5	206.7	(8.0)	411.8	2,282.3	10,242.6

Notes to the consolidated financial statements

Other items (continued)

23 Controlled entities

Controlled entities are entities controlled by the Company. Under Australian Accounting Standards, the Company is identified as having acquired control over the assets of the Trust and GLHK. The consolidated financial statements incorporate the assets and liabilities of all controlled entities as at 30 June 2020 and the results of all such entities for the year ended 30 June 2020.

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

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

The significant controlled entities of the Company are set out below:

Significant controlled entities of Goodman Limited	Country of establishment/incorporation
Clayton 3 Trust	Australia
GA Industrial Portfolio Trust	Australia
GIIT Investments Holding Trust No.3	Australia
Goodman Australia Finance Pty Limited ¹	Australia
Goodman Capital Trust ¹	Australia
Goodman Europe Development Trust ¹	Australia
Goodman Finance Australia Trust ¹	Australia
Goodman Funding Pty Limited 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
Goodman Ultimo Trust ¹	Australia
Homebush Subtrust ¹	Australia
Moorabbin Airport Corporation Pty Ltd	Australia
Goodman Belgium NV	Belgium
Goodman Management Services (Belgium) NV	Belgium
Goodman China Asset Management Limited	Cayman Islands
Goodman China Developments	Cayman Islands
Goodman Developments Asia	Cayman Islands
MGI HK Finance ¹	Cayman Islands
Goodman Management Consulting (Beijing) Co. Ltd	China
Goodman Management Consulting (Shanghai) Co. Ltd	China
Goodman France Sàrl	France
Goodman Germany GmbH	Germany
GFM Hong Kong Limited	Hong Kong
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong

Significant controlled entities of Goodman Limited	Country of establishment/incorporation
Goodman Hong Kong Investment Trust	Hong Kong
Goodman Logistics (HK) Limited	Hong Kong
Goodman UK Investment (HK) Limited	Hong Kong
GPS Hong Kong Limited	Hong Kong
Goodman Italy S.R.L.	Italy
Goodman Japan Funds Limited	Japan
Goodman Japan Limited	Japan
Goodman Finance (Jersey) Limited ¹	Jersey
GELF Management (Lux) Sàrl	Luxembourg
Goodman Europe (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl ¹	Luxembourg
Goodman Finance Two (Lux) Sàrl ¹	Luxembourg
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Meadow Logistics Sàrl	Luxembourg
Goodman Midnight Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
Goodman Rowan Logistics S.à.r.l	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 Logistics Developments (UK) Limited	United Kingdom
Goodman Operator (UK) Limited	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman Real Estate (UK) Limited	United Kingdom
Goodman UK Limited	United Kingdom
Goodman Development Management LLC	United States
Goodman Management USA Inc	United States
Goodman North America LLC	United States
Goodman North America Management LLC	United States
Goodman US Finance One, LLC ¹	United States
Goodman US Finance Two, LLC ¹	United States
Goodman US Finance Three, LLC ¹	United States
Goodman US Finance Four, LLC ¹	United States
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)

24 Related parties

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

Non-Executive Directors – GL and GFML

Ian Ferrier, AM
 Christopher Green
 Stephen Johns
 Mark Johnson (appointed 1 June 2020)
 Rebecca McGrath
 Phillip Pryke
 Penny Winn

Executive KMP

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

Non-Executive Directors – GLHK

David Collins

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Goodman		Company ¹	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Short-term employee benefits	7,693.9	7,253.7	–	–
Post-employment benefits	211.8	217.0	–	–
Equity compensation benefits	27,760.3	29,099.3	–	–
Long-term employee benefits	3,787.7	5,259.5	–	–
	39,453.7	41,829.5	–	–

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

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.

Transactions with associates and JVs

The transactions with Partnerships during the financial year were as follows:

	Goodman					
	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to associates and JVs	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Associates	56,900.7	–	883,521.8	893,608.2	–	–
JVs	–	3,953.1	261,195.5	244,908.1	1,319.8	415.5

In the current year, GIT charged interest of \$1.0 million (2019: \$nil) on loans to associates and JVs.

Amounts due from Partnerships at 30 June 2020 were as follows:

	Goodman				GIT			
	Amounts due from related parties ¹		Loans provided by Goodman ²		Amounts due from related parties ¹		Loans provided by GIT ²	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Associates								
GAIP	10,850.4	68,582.9	-	-	-	-	-	-
GAP	3,633.8	3,196.4	-	-	-	-	-	-
GMT	1,540.4	2,498.1	-	-	-	-	-	-
GHKLP	56,779.4	161,545.6	-	-	-	-	-	-
GJCP	5,352.0	2,761.8	-	-	-	-	-	-
GEP	16,526.1	33,267.8	3,616.0	7,953.6	-	98.9	-	4,364.8
	94,682.1	271,852.6	3,616.0	7,953.6	-	98.9	-	4,364.8
JVs								
GCLP	20,360.9	38,367.8	-	-	-	-	-	-
Other JVs	17,353.5	23,158.4	130,296.1	108,357.3	263.2	2,888.5	69,498.4	23,944.3
	37,714.4	61,526.2	130,296.1	108,357.3	263.2	2,888.5	69,498.4	23,944.3

1. Amounts due from related parties include contract assets arising from transactions with related parties.

2. Loans provided by Goodman and GIT to associates and JVs have been provided on an arm's length basis.

Transactions between GIT and other Goodman entities

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

	GIT	
	2020 \$000	2019 \$000
Reimbursement of expenses	52,479.8	49,544.1

As at 30 June 2020, no amounts were owed to GFML (2019: \$nil).

Other Goodman entities perform a number of services for GIT. The fees, costs and expenses for the services performed during the year were as follows:

	GIT	
	2020 \$000	2019 \$000
Management income	2,379.0	1,951.0
Development income	-	924.8
	2,379.0	2,875.8

In addition to the above, interest bearing loans exist between GIT and other Goodman entities. At 30 June 2020, interest bearing loans of \$3,008.0 million (2019: \$3,226.3 million) were receivable by GIT from other Goodman entities and \$760.0 million (2019: \$676.4 million) was payable by GIT to other Goodman entities. Loans to related Goodman entities bear interest at rates referenced to GIT's external funding arrangements.

Notes to the consolidated financial statements

Other items (continued)

25 Commitments

Development activities

At 30 June 2020, Goodman was committed to expenditure in respect of \$251.8 million (2019: \$277.9 million) on inventories and other development activities. GIT has no such commitments (2019: \$nil).

Investment properties

At 30 June 2020, capital expenditure commitments on Goodman's existing investment property portfolio was \$32.2 million (2019: \$100.9 million). GIT has no such commitments (2019: \$nil).

Partnerships

At 30 June 2020, Goodman had a remaining equity commitment of \$65.1 million (2019: \$64.8 million) into GEP. This commitment also applies to GIT.

In relation to GEP, Goodman offers limited liquidity facilities to investors, which allow the investors to sell to Goodman some or all of their investment in GEP. Limits apply to these liquidity facilities and Goodman is only required to offer to purchase up to €25 million of the issued capital of GEP each half year subject to a cumulative maximum of €150 million. Furthermore, Goodman is only required to purchase units where its co-investment in GEP is either below a prescribed limit or a maximum amount of liquidity has been provided. Currently, Goodman's interest in GEP is below the prescribed limit and the liquidity facility is open for investors. The commitment under the liquidity facility also applies to GIT.

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

- + \$nil (2019: \$99.7 million) into GHKLP
- + \$23.8 million (2019: \$23.8 million) into KGIP
- + \$147.8 million (2019: \$150.0 million) into KGG
- + \$436.6 million (2019: \$361.0 million) into GJDP
- + \$853.8 million (2019: \$872.7 million) into GCLP
- + \$136.8 million (2019: \$209.1 million) into GUKP
- + \$2,546.8 million (2019: \$855.6 million) into GNAP
- + \$84.4 million (2019: \$123.8 million) into Goodman Brazil Logistics Partnership.

26 Auditors' remuneration

	Goodman		GIT	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Audit services				
Auditor of the Company:				
– Audit and review of financial reports (KPMG Australia)	1,043.8	926.2	624.5	592.6
– Audit and review of financial reports (overseas KPMG firms)	898.4	906.9	73.2	16.8
	1,942.2	1,833.1	697.7	609.4
Other services				
– Other regulatory services (KPMG Australia)	53.8	55.6	53.8	36.5
– Other advisory services (KPMG Australia)	80.7	18.7	–	–
– Other advisory services (overseas KPMG firms)	–	15.8	–	–
– Taxation compliance services (KPMG Australia)	123.4	107.8	96.3	88.3
– Taxation compliance services (overseas KPMG firms)	189.2	144.7	35.3	6.9
– Taxation advice (KPMG Australia)	190.8	157.1	–	–
– Taxation advice (overseas KPMG firms)	257.0	196.4	1.6	11.6
	894.9	696.1	187.0	143.3
Total paid/payable to KPMG	2,837.1	2,529.2	884.7	752.7
Other auditors				
– Audit and review of financial reports (non-KPMG firms)	125.9	76.5	–	–

27 Parent entity disclosures

As at, and throughout the financial year ended, 30 June 2020, 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	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Result of the parent entity				
(Loss)/profit for the year	(91.4)	279.1	322.0	343.3
Other comprehensive income for the year	–	–	–	–
Total comprehensive (loss)/income for the year	(91.4)	279.1	322.0	343.3
Financial position of the parent entity at year end				
Current assets	53.8	46.8	2,614.9	1,714.7
Total assets	1,570.7	1,476.5	7,314.9	6,873.4
Current liabilities	362.7	20.6	2,455.6	1,972.6
Total liabilities	1,272.2	1,126.1	2,537.9	2,029.9
Total equity of the parent entity comprising:				
Issued capital	792.0	757.3	7,623.5	7,477.3
Profits reserve	90.7	90.7	–	–
Employee compensation reserve	33.1	28.3	173.4	159.6
Accumulated losses	(617.3)	(525.9)	(3,019.9)	(2,793.4)
Total equity	298.5	350.4	4,777.0	4,843.5

Notes to the consolidated financial statements

Other items (continued)

27 Parent entity disclosures (continued)

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

Investments in controlled entities and Partnerships

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

Tax consolidation

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

Financial guarantees

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

Parent entity capital commitments

At 30 June 2020, the parent entities had no capital commitments (2019: \$nil).

Parent entity contingencies

Capitalisation Deed Poll

The Company, GFML, as responsible entity of the Trust, GLHK and certain of their wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

United States and Reg S senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to notes 16(b) and 16(c)), controlled entities of GIT had on issue USD and EUR notes amounting to US\$1,303.8 million and €500.0 million respectively. GL, GFML, as responsible entity of the Trust, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

28 Events subsequent to balance date

Goodman and GIT

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

DIRECTORS' DECLARATION

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

- a. the consolidated financial statements and the notes of Goodman Limited and its controlled entities and Goodman Industrial Trust and its controlled entities set out on pages 72 to 140 and the remuneration report that is contained on pages 36 to 68 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 2020 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 2020.

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

Signed in accordance with a resolution of the Directors.



Ian Ferrier, AM
Independent Chairman



Gregory Goodman
Group Chief Executive Officer

Sydney, 13 August 2020

Independent Auditor's Report



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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

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

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

- + giving a true and fair view of the **Goodman Group's** and of the **Trust's** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- + complying with *Australian Accounting Standards and the Corporations Regulations 2001*.

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

- + Consolidated statement of financial position as at 30 June 2020;
- + Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the year then ended;
- + Notes including a summary of significant accounting policies; and
(collectively referred to as **Financial Statements**)
- + Directors' Declaration.

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

Basis for opinions

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

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

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

Key Audit Matters

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

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

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

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



Recognition of portfolio performance fee income

Refer to Note 2 to the Financial Report (portfolio performance fee income is allocated to management income and development income).

The key audit matter

The Goodman Group, in its capacity as an investment manager, earns portfolio performance fees based on agreements with some of its managed partnerships.

Recognition of portfolio performance fee income is considered a key audit matter due to the:

- + Quantum of portfolio performance fee income, relative to the Goodman Group's total revenue; and
- + Significant judgment exercised by us in assessing the amount of performance fees recognised by the Goodman Group. The key assumptions impacting the amount of performance fees are subject to estimation uncertainty, bias and inconsistent application. This increases the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. Increased time and effort is spent by the audit team in assessing these key assumptions.

The amount of portfolio performance fees recognised is impacted by key assumptions including:

- + Fair value of underlying investment properties (a key driver of the quantum of performance fees recognised by the Goodman Group) held by the partnerships. The valuation of investment properties contains assumptions with estimation uncertainty such as capitalisation rates, discount rates, rent relief provided to customers, customer covenant strength, market rental income, weighted average lease expiry and vacancy levels, projections of capital expenditure and lease incentive costs. This leads to additional audit effort due to the differing assumptions based on asset classes, geographies and characteristics of individual investment properties. This was further heightened with the existence of the COVID-19 pandemic resulting in less market transactions which are ordinarily a strong source of evidence regarding property fair values.
- + The level of constraint applied. This is impacted by the Goodman Group's expectations of how much of the performance fee is highly probable to be received in accordance with the requirements of the accounting standards.

In assessing this Key Audit Matter, real estate valuation specialists, who understand the Group's investment profile and business, were involved.

How the matter was addressed in our audit

Our procedures included:

- + Reading the Goodman Group's agreements with managed partnerships to understand the key terms related to performance fees, including hurdle rates;
- + Evaluating Goodman Group's accounting policies regarding the recognition of performance fee income and valuation of investment properties against accounting standard requirements;
- + Comparing hurdle rates and performance fee rates to underlying partnership agreements. We recalculated the performance fee income using the performance fee rates in the agreements applied to the value in excess of the hurdle stipulated in the partnership agreements. We tested the value in excess of the hurdle set amount by performing the audit procedures over investment properties below. We compared the recalculated performance fee to the amount recorded by the Goodman Group; and
- + Challenging the constraints applied in determining the amount of performance fees that are highly probable to be received by the Goodman Group. We did this by using our knowledge of the Goodman Group, their past performance, business, and our industry experience to challenge the Goodman Group's estimate of current and forecast managed partnership performance and the remaining tenure of the partnerships.

For investment properties, taking into account asset classes, geographies and characteristics of individual investment properties:

- + Assessing the scope, competence and objectivity of the managed partnerships' external valuation experts and internal valuers;
- + Challenging significant assumptions, with reference to published industry reports and commentary to gain an understanding of prevailing property market conditions;
- + On a sample basis, assessing the impact on our audit of "market uncertainty" caveats included in valuations performed by the Group's external valuers by inquiring with management or the Group's external valuers; and
- + With the assistance of our real estate valuation specialists, assessing a sample of significant assumptions including capitalisation rates, discount rates, rent relief provided to customers, customer covenant strength, market rental income, weighted average lease expiry and vacancy levels, projections of capital expenditure and lease incentive costs. We did this by comparing to market analysis published by industry experts, recent market transactions, inquiries with the Goodman Group, historical performance of the assets and using our industry experience in the current COVID-19 economic environment.

Independent Auditor's Report

(continued)



Recognition of development income (\$882.6m)

Refer to Note 2 to the Financial Report

The key audit matter

Development income was a key audit matter due to:

- + its significant value (34% of revenue and other income);
- + the high volume of transactions; and
- + the judgements applied by us to assess the Goodman Group's determination of revenue recognised during the period in relation to contracts which remain in progress at period end.

Development income comprises income from disposal of inventories, other development income (including development management services) and income from fixed price construction contracts.

Income from development management services is recognised progressively, requiring judgment by us when considering the Goodman Group's determination of the amount and extent of the services provided based on contract deliverables.

Income from certain inventory disposals and fixed price construction contracts is recognised in proportion to the stage of completion of the relevant contracts. We focused on the stage of completion estimation which is based on costs incurred as a percentage of estimated total costs for each contract, which included consideration of the impact of COVID-19 on cost and duration of the contract.

How the matter was addressed in our audit

Our procedures included:

- + Selecting specific contracts from development income recognised (in relation to contracts that remain in progress at period end) based on quantitative and qualitative information (such as the size and complexity of the arrangement); and
- + Evaluating Goodman Group's recognition of development income against the criteria in the accounting standards.

For the specific contracts selected, our procedures included:

- + Understanding the underlying contractual arrangements, in particular their unique terms;
- + Where recognition of development income is conditional upon certain events occurring, checking correspondence with external parties for evidence of achievement of conditions;
- + Assessing the Goodman Group's determination of revenue recognised during the period in accordance with the provision of services stipulated in the underlying contract or the stage of completion;
- + For revenue recognised based on the stage of completion, assessing a sample of costs incurred to date and total forecast costs against project feasibilities; and
- + Challenging the key assumptions included in the Goodman Group's project feasibilities by comparing to commentary published by industry experts, recent market transactions, and our knowledge of historical performance of the assets. As part of this we assessed the impact that COVID-19 has on actual costs and duration of development projects and the likely continued impact on key cost and duration assumptions included in the Goodman Group's project feasibilities.



Valuation of investment properties (\$1,901.2m), investments accounted for using the equity method (\$9,370.8m) and inventories (\$1,180.2m)

Refer to Note 6 to the Financial Report

The key audit matter

The Goodman Group's investments in property assets include investment properties and inventories, which are held either directly or through its investments accounted for using the equity method.

Investment properties are held at fair value and inventories are held at the lower of cost and net realisable value. The valuation of property assets are determined using internal methodologies or through the use of external valuation experts.

The valuation of property assets is a key audit matter as they are significant in value (being 77% of total assets) and contain assumptions with estimation uncertainty.

This leads to additional audit effort due to differing assumptions based on asset classes, geographies and characteristics of individual property assets. This was further heightened with the existence of the COVID-19 pandemic resulting in a decline in market transactions which are ordinarily a strong source of evidence regarding property fair values.

The valuation of property assets include a number of significant assumptions:

- + Investment properties:
 - capitalisation rates;
 - discount rates;
 - rent relief provided to customers;
 - customer covenant strength;
 - market rental income;
 - weighted average lease expiry and vacancy levels;
 - projections of capital expenditure; and
 - lease incentive costs.
- + Inventories:
 - forecast capitalisation rates and market rental income;
 - land value per square metre;
 - letting up periods and lease incentive costs; and
 - development costs.

In assessing this Key Audit Matter, we involved real estate valuation specialists, who understand the Group's investment profile and business and the economic environment it operates in.

How the matter was addressed in our audit

Our procedures included:

- + Obtaining an understanding of the Goodman Group's process regarding the valuation of property assets, including specific consideration of the impact of COVID-19;
- + Assessing the methodologies used in the valuations of property assets, for consistency with accounting standards, industry practice and the Goodman Group's policies; and
- + Working with real estate valuation specialists to read published reports and industry commentary to gain an understanding of prevailing property market conditions.

For investment properties, taking into account asset classes, geographies and characteristics of individual investment properties:

- + Assessing the scope, competence and objectivity of external valuation experts and Goodman Group's internal valuers;
- + Challenging significant assumptions, with reference to published industry reports and commentary to gain an understanding of prevailing property market conditions;
- + On a sample basis, assessing the impact on our audit of "market uncertainty" caveats included in valuations performed by the Group's external valuers by inquiring with management or the Group's external valuers;
- + With assistance of real estate valuation specialists, assessing a sample of significant assumptions including capitalisation rates, discount rates, rent relief provided to customers, customer covenant strength, market rental income, weighted average lease expiry and vacancy levels, projections of capital expenditure and lease incentive costs. We did this by comparing to market analysis published by industry experts, recent market transactions, inquiries with the Goodman Group, historical performance of the assets and using our industry experience in the current COVID-19 economic environment; and
- + Assessing the disclosures in the financial report using our understanding obtained from our testing, against accounting standard requirements.

For inventories:

- + Challenging the key assumptions included in the Goodman Group's internal recoverability assessments (project feasibilities) and valuations by comparing to commentary published by industry experts, recent market transactions, and our knowledge of historical performance of the assets.

Independent Auditor's Report

(continued)



Value of intangible assets (\$845.8m)

Refer to Note 14 to the Financial Report

The key audit matter

At 30 June 2020 the Goodman Group's intangible assets comprised goodwill and management rights. The valuation of intangible assets was identified as a key audit matter as the Goodman Group's annual impairment assessment contains significant judgments involving forecasting and discounting future cash flows.

The impairment assessment is based on the value in use model performed for each division of the Goodman Group. The value in use models incorporate significant judgment in respect of future conditions and we focussed on key assumptions such as:

- + forecast cash flows, growth rates and terminal growth rates, taking into consideration the level and margins from ongoing development activity, forecast funds management income (which is primarily dependent on assets under management) and the impact of COVID-19 on each division. The Group's models are sensitive to small changes in these assumptions, which may reduce available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and
- + discount rates – these are complicated in nature and vary according to the conditions the division is subject to from time to time.

We involved valuation specialists in assessing this Key Audit Matter.

How the matter was addressed in our audit

Our procedures included:

- + Considering the appropriateness of the value in use method applied by the Goodman Group to perform the annual test of goodwill and management rights impairment, against the requirements of the accounting standards.
- + For divisions with significant intangible assets:
 - Working with our valuation specialists, comparing the discount rates and terminal growth rates used in the value in use models to publicly available data of comparable entities;
 - Assessing the ability of the Goodman Group to accurately forecast by comparing previous forecasts to actual results;
 - Comparing the division's forecast cash flows contained in the value in use models to Board approved forecasts;
 - Challenging the divisions forecast cash flows from development activity and funds management based on our understanding of local market conditions, including the impact of the COVID-19 economic environment on each division; and
 - Performing a sensitivity analysis on the discount rates, growth rates and forecast assets under management by applying a reasonably possible range of outcomes to focus our further procedures.
- + Assessing the disclosures in the financial report using our understanding from our testing and against the requirements of the accounting standards.



Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audits 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.

Independent Auditor's Report

(continued)



REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of Goodman Limited for the year ended 30 June 2020 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the 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 36 to 68 of the Directors' report for the year ended 30 June 2020.

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

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

KPMG

A handwritten signature in cursive script that reads 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney 13 August 2020

Appendix A – Goodman Logistics (HK) Limited and its subsidiaries

Consolidated financial statements for the year ended 30 June 2020

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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 2020 (FY20).

Incorporation and principal place of business

Goodman Logistics (HK) Limited was incorporated in Hong Kong on 18 January 2012 and has its principal place of business at Suite 901, Three Pacific Place, 1 Queen's Road East, Hong Kong.

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

Principal activities

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, investment management, property management services and development management. The principal activities and other particulars of the subsidiaries are set out in note 20 to the consolidated financial statements.

Directors of subsidiaries

The names of directors who have served on the boards of the subsidiaries of the Company during FY20 are set out below:

Ales Ruzicka	Goh Hoi Lai	Kelly Moore	Philippe Arfi
Aurélien Noel	Henry Kelly	Kim Swee Seah	Philippe Van der Beken
Bart Manteleers	Hugh Baggie	Kristoffer Allan Harvey	Philip Turpin
Chi Wing Lin	Ian Pritchard	Lien Standaert	Robert Reed
Christof Prange	István Kerekes	Luke Caffey	Shiling Li
Chun Kit Fung	Izak ten Hove	Marcin Duda	Simone Marlene Weyermanns
Clare Gow	James Cornell	Marwan Bustani	Stephen Young
David Anthony Hinchey	Jan Palek	Matthew Macdonald	Tai Yit Chan
Dirk Mölter	Jaroslav Czechowicz	Michael Lee	Tang Chenying
Dominique Prince	Jason Harris	Michael O'Sullivan	Thomas De Meester
Edwin Chong Chee Wai	Jie Yang	Michael Woodford	Wai Ho Stephen Lee
Francisco Palacio	John Morton Dakin	Nicholas Kurtis	Wang Chen
Garcia Cuenca Ignacio	Jorn Bruyninckx	Paul Adams	Xiaoyin Zhang.
Gareth Owen	Joseph Salvaggio	Paul Heslop	
Godfrey Abel	Karl Dockx	Peter Ralston	

Financial statements

The financial performance of the Consolidated Entity for the year ended 30 June 2020 and the Consolidated Entity's financial position at that date are set out in the consolidated financial report on pages 162 to 206.

During the financial year, the Company declared a final dividend of 4.0 cents per share amounting to \$73.1 million. The dividend is payable out of FY20 profit after tax. In the prior year, the Company declared a final dividend of 5.0 cents per share amounting to \$90.7 million out of FY19 profit after tax.

Share capital

Details of the movements in share capital of the Company during FY20 are set out in note 16 to the consolidated financial statements.

Directors

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

Ian Douglas Ferrier, AM
 David Jeremy Collins
 Gregory Leith Goodman (alternate director to Ian Douglas Ferrier)
 Daniel Cornelius D. Peeters.

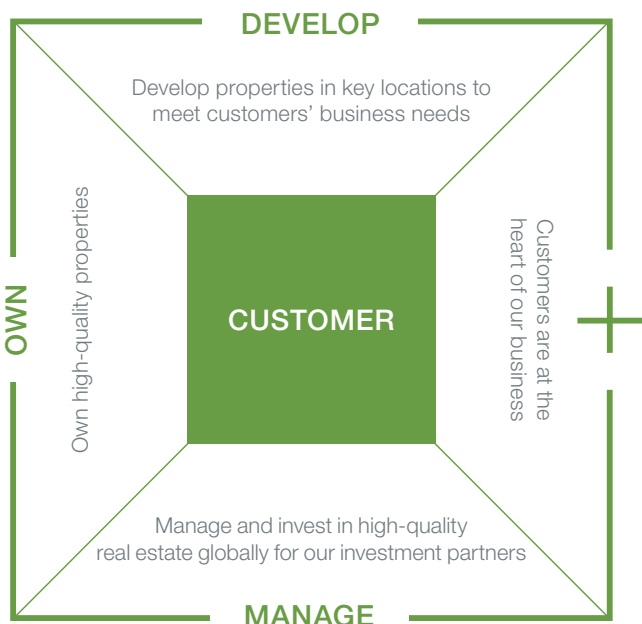
BUSINESS REVIEW

State of affairs

During the year, the Consolidated Entity acquired most of the subsidiaries that comprise Goodman Group’s United Kingdom business (Dollmist Limited and its subsidiaries). Details of the acquisition are set out in note 20 to the consolidated financial statements.

Goodman Group’s strategy

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



The business capabilities are supported by five strategic “pillars”:

1. **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, investment partners, suppliers and employees.
2. **Quality product and service** – deliver high-quality product and customer service in key logistics markets globally by actively leveraging Goodman Group’s industrial sector expertise, development and management experience and global operating platform.
3. **Culture and brand** – promote Goodman Group’s unique and recognisable brand and maintain Goodman Group’s core values across each operating division to foster a strong and consistent culture. The core values are:
 - + Customer + Focus: “Be closer to the customer’s world and their changing needs”
 - + Innovative + Dynamic: “Be more creative in our thinking and more creative in our actions”
 - + Open + Fair: “Be adaptable and considerate in our dealings inside and outside our business”
 - + Performance + Drive: “Do what we say we’ll do and make things happen”
 - + Team + Respect: “Recognise the worth in each other and collaborate for better results”.
4. **Operational efficiency** – optimise business resources to maximise effectiveness and drive efficiencies.
5. **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.

Report of the directors

Business review (continued)

Performance review

The Consolidated Entity has operations in Asia, Continental Europe and the United Kingdom, and its earnings are derived from property investment, development and management activities.

The Board acknowledges the unprecedented times the world is experiencing and the terrible impact COVID-19 is having on people's lives and livelihoods. The Consolidated Entity's markets have been affected at various times and to varying degrees, but the Consolidated Entity has adapted to this new operating environment with limited disruption and has continued to grow the business sustainably for the long term. The Consolidated Entity plays an important role in providing both essential infrastructure and making a tangible difference for customers in the cities in which it operates.

The Consolidated Entity has established significant human capital, financial resources and a well located real estate portfolio, to sustain the business through market cycles. This is reflected in the results for FY20 with the Consolidated Entity reporting operating profit of \$390.3 million, compared to \$328.1 million for the prior year.

In assessing Goodman Group's underlying performance, the directors consider operating earnings as well as Goodman Group's statutory profit. Operating earnings is a proxy for 'cash earnings' and is not an income measure under Hong Kong Financial Reporting Standards. It is defined as profit attributable to Shareholders adjusted for property valuations, impairment losses and other non-cash adjustments or non-recurring items.

	2020 \$M	2019 \$M
Analysis of operating profit		
Property investment earnings	54.2	36.0
Development earnings	356.6	278.8
Management earnings	219.1	215.1
	629.9	529.9
Operating expenses	(186.1)	(117.9)
	443.8	412.0
Net finance expense (operating) ¹	(13.3)	(26.3)
Income tax expense (operating)	(40.2)	(57.6)
Operating profit	390.3	328.1

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

Property investment activities

Property investment earnings in FY20 of \$54.2 million were up on the prior year and comprised 8% of the total earnings (2019: 7%).

	2020 \$M	2019 \$M
Net property income	16.6	5.1
Partnerships	37.6	30.9
Property investment earnings	54.2	36.0

Key metrics	2020	2019
Weighted average capitalisation rate (%)	5.2	5.3
Weighted average lease expiry (years)	4.0	4.4
Occupancy (%)	96.7	98.3

Property investment earnings comprise property income from completed developments held for sale and the Consolidated Entity's share of the results of property investment joint ventures (referred to by the Consolidated Entity as Partnerships). The key drivers for maintaining or growing the Consolidated Entity's property investment earnings are increasing the level of assets under management (AUM) (subject also to the Consolidated Entity's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, and changes in financing arrangements.

The Consolidated Entity's property portfolios are concentrated in large, urban centres around the world where demand from customers has put pressure on land use and availability. Customers, including e-commerce, are continuing to invest in order to improve the efficiency of their supply chains and data centre users are looking to expand their operations. During the second half of FY20, as the COVID-19 pandemic accelerated the shift in consumer purchasing habits to online shopping, the Consolidated Entity has seen increased demand for both temporary and permanent space from customers in the food, consumer goods and logistics sectors, particularly related to e-commerce operators and those transitioning to online.

Despite the lockdowns and other restrictions that all major economies have experienced in the past few months, there has been relatively limited closure or disruption of the Consolidated Entity's warehouse facilities and the financial impact on the Consolidated Entity has not been significant in the context of its consolidated results and financial position.

Where the Consolidated Entity's most vulnerable customers have been impacted by the pandemic, then the Consolidated Entity has worked with them to provide rental assistance. In the majority of cases, assistance has been in the form of rent deferral or lease restructure. To date, the rate of rental delinquency has not had a material impact on the Consolidated Entity.

The Consolidated Entity's share of investment earnings from its cornerstone holdings in the Partnerships increased by 21.7% to \$37.6 million compared to the prior year. This was due to rental income growth from existing properties and the completion of developments both during FY19 and FY20.

During FY20, the Consolidated Entity's share of property valuations from the stabilised portfolios was \$20.0 million. Valuation gains were due to both capitalisation rate compression and the growth in rental income. At 30 June 2020, the weighted average capitalisation rate for the Consolidated Entity's portfolios was 5.2%, compared to 5.3% at the start of FY20.

Development activities

In FY20, development earnings were \$356.6 million, an increase of 28% on the prior year and comprised 57% of total operating earnings (2019: 53%).

Development activity continued to be strong with 28 developments completed during the year and work in progress of \$3.1 billion across 21 projects at 30 June 2020. The increase in the Consolidated Entity's earnings was primarily volume driven.

	2020 \$M	2019 \$M
Net development income	307.0	225.5
Partnerships	49.6	53.3
Development earnings	356.6	278.8

Key metrics	2020	2019
Work in progress (\$B)	3.1	2.0
Work in progress (million square metres)	1.2	1.1
Work in progress (number of developments)	21	25
Developments completed during the year (number of developments)	28	40

Development earnings comprise development income (including development management fees) net of expenses, income from sales of properties (primarily inventories but also including disposals of special purpose entities in certain jurisdictions) and the Consolidated Entity's share of the results of property development Partnerships. Development income includes performance related revenues associated with managing development activity in the Partnerships. The key drivers for the Consolidated Entity's development earnings are the level of development activity, land and construction prices, property valuations and the continued availability of third party capital to fund development activity.

The majority of inventory disposals and fixed price contract income arose in Europe, as the Partnerships in Continental Europe generally acquire completed developments from the Consolidated Entity. In the Consolidated Entity's other operating segments, development earnings are a mix of development management income, including performance related income, and transactional activity, including the Consolidated Entity's share of development profits reported by the Partnerships themselves.

Consistent with Goodman Group's strategy, development activity has been focused on key urban centres, where customer demand is high and the supply of industrial logistics is restricted. The scale of the projects has been growing over time as a consequence of the high value nature of these sites and the complexity associated with development of infill locations.

Management activities

Management earnings in FY20 of \$219.1 million increased by 2% compared to the prior year and comprised 35% of total operating earnings (2019: 40%). The two main drivers of management earnings were the increase in external AUM and the increasing contribution from portfolio performance fee income.

During FY20, external AUM increased by 6% to \$21.5 billion from \$20.2 billion as set out below:

	2020 \$M	2019 \$M
Management earnings	219.1	215.1
Key metrics	2020	2019
Number of Partnerships	7	7
External AUM (\$B)	21.5	20.2

Management earnings relates to the revenue from managing the property portfolios and the capital invested in the Partnerships (management income). This includes performance related revenues but excludes earnings from managing development activities in the Partnerships, which are included in development earnings. The key drivers for maintaining or growing management earnings are activity levels, asset performance, and increasing the level of AUM, which can be impacted by property valuations and asset disposals and is also dependent on liquidity including the continued availability of third party capital to fund both development activity and acquisitions across the Consolidated Entity's Partnerships.

Base management fee income, earned from the overall management of the Partnerships, increased in line with the increase in AUM. This was supplemented by property services income, which increased in line with the gross property income in the Partnerships, and other income such as leasing fees and transactional fees.

Other items

Operating expenses increased mainly due to the growth in development and management activity levels, particularly with the acquisition of the business in the United Kingdom, and to the impact of the increase in the Goodman Group security price on employee incentive payments. Borrowing costs have fallen as a result of lower interest rates and the balance of funding arrangements within the Consolidated Entity. The reduction in tax expense is primarily a function of changes to the origin and nature of revenue arising from management and development activities.

Report of the directors

Business review (continued)

Statement of financial position

	2020 \$M	2019 \$M
Stabilised investment properties	7.2	–
Cornerstone investments in Partnerships	1,276.2	1,226.9
Development holdings	1,056.2	541.2
Cash	357.4	212.7
Other assets	942.0	889.9
Total assets	3,639.0	2,870.7
Loans from related parties	1,731.0	1,102.4
Other liabilities	493.3	460.2
Total liabilities	2,224.3	1,562.6
Non-controlling interests	20.0	24.7
Net assets attributable to Shareholders	1,394.7	1,283.4

The value of cornerstone investments in Partnerships has increased by \$49.3 million to \$1,276.2 million, principally driven by capital contributions into existing Partnerships. A reconciliation of the current year movement in cornerstone investments in Partnerships is detailed in note 6(e) to the consolidated financial statements. Distributions of income and capital from cornerstone investments in the current year amounted to \$187.3 million.

The increase in development holdings by \$515.0 million to \$1,056.2 million is primarily due to the acquisition of the United Kingdom business and additional expenditure on development projects in Continental Europe, China and the United Kingdom during the year.

Other assets included receivables, other financial assets, 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). The movement during the year was primarily due to the liability fair values of certain of the derivatives.

Cash flow

	2020 \$M	2019 \$M
Operating cash flows	376.3	238.5
Investing cash flows	(5.4)	(136.4)
Financing cash flows	(213.4)	(14.4)
Net increase in cash held	157.5	87.7
Effect of exchange rate fluctuations on cash held	(2.0)	9.5
Cash at the beginning of the year	212.7	115.5
Cash at the end of the year	368.2	212.7

The movement in operating and investing cash flows from the comparative year is primarily attributable to the timing of development activities undertaken, both on balance sheet and in Partnerships, compared with the prior year. The higher operating cash inflow from development activities was partly offset by decreased cash flows from management activities.

Investing cash flows primarily relate to investments in the Partnerships to fund development expenditure.

Financing cash flows comprise principally of proceeds of loans from related parties offset by dividends paid in FY20. The higher financing cash outflow in the current financial year was due to the repayment of related party loans using excess operating cash.

Outlook

The ongoing COVID-19 pandemic has not had a material financial impact on the Consolidated Entity for FY21, the business conditions for industrial assets are expected to remain favourable. The Consolidated Entity is strategically well placed given its financial and operational strength. An increase in performance is anticipated from each of the Consolidated Entity's earning streams, subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events.

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

Risks

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

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

The Goodman Group board has separate board committees to review and assess key risks. The Risk and Compliance Committee reviews and monitors a range of material risks in Goodman Group's risk management systems including, among other risks, market, operational, sustainability, regulation and compliance and information technology. The Goodman Group Audit Committee reviews and monitors financial risk management and tax policies.

Report of the directors

Business review (continued)

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

Risk Areas	Mitigation
Capital management	<p>Ensuring long-term availability of funding from both investors and financial institutions to support the sustainability of the business and the delivery of Goodman Group's strategy.</p> <ul style="list-style-type: none"> + Goodman Group board approved financial risk management policy + Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Goodman Group board + Diversification of debt funding sources and maturities + Diversification of investment partners + Change in distribution pay-out ratio consistent with contribution to increasing development workbook.
Economic and geopolitical environment	<p>The COVID-19 pandemic is currently forecast to cause the worst global recession since World War II and more than twice as deep as the recession associated with the 2007-09 global financial crisis. How prolonged this recession will be is uncertain.</p> <p>Geopolitical and geo-economic tensions are still heightened and continues to rise among the world's major powers.</p> <p>The global economic climate and future movements in interest rates present risks and opportunities in property and financing markets and the businesses of Goodman Group's customers which can impact both the delivery of Goodman Group's strategy and financial performance.</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 + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks + Co-investment with local capital partners.
Governance, regulation and compliance	<p>Non-compliance and changes to the regulatory environments (including tax) impact Goodman Group's business, including its reputation.</p> <ul style="list-style-type: none"> + Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Chief Risk Officer and Compliance Officer + Review of transactions by the Goodman Group + Investment Committee.
People and culture	<p>Retaining the executive management team, who support the sustainability of the business.</p> <p>Maintaining an organisational culture, in a changing workplace environment, commensurate with Goodman Group's values.</p> <ul style="list-style-type: none"> + Succession planning for senior executives + Competitive remuneration structures + Performance management and review + Goodman Group values program.
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 of development projects by the Goodman Group Investment Committee + Goodman Group defined design specifications, which cover environmental, technological, and safety requirements, protecting against short-term obsolescence + Internal audit reviews with reporting to the Goodman Group Risk and Compliance Committee + Insurance program, both Goodman Group and general contractor, including project specific insurance + Ongoing monitoring and reporting of work in progress and levels of speculative development, with Goodman Group board oversight including limits with respect to speculative development.

	Risk Areas	Mitigation
Disruption, changes in demand and obsolescence	Through advancement in technology and rapid growth in e-commerce (as seen through automation/robotics, driverless vehicles and an increase in demand for data centre use), there is a longer-term risk that warehouses become obsolete and not fit for purpose through their specialisation and/or location.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations support re-usability of property + Adaptable and re-usable building design – ease to reconfigure for another customer + Geographic diversification + Capital partnering transfers risks into partnerships + Insurance program (both Goodman Group's and key contractors), including project specific insurance covering design and defects + Long lease terms with prime customers.
Environmental and climate change	Failure to properly identify and mitigate both physical and transition risks from climate change, leading to a negative impact on Goodman Group'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 including the assessment of individual assets to improve resilience and implementation of sustainability initiatives + Sustainability guidelines for development projects + Review and approval of acquisitions and development projects by the Goodman Group Investment Committee and relevant Partnership Investment Committee, including consideration of climate in due diligence and specification.
Asset and portfolio	Inability to execute asset planning and management strategies, including leasing risk exposures, can reduce returns from Goodman Group's portfolios.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations where customer demand is strongest + Diversification of customer base and lease expiries + Review of significant leasing transactions and development projects by the Group Group Investment Committee + Capital expenditure programs keeping pace with property lifecycle.
Concentration to 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"> + Diversification of customer base and lease expiries + Diversification of capital partners and Partnership expiries.
Information and data security	Maintaining security of IT environment and data, ensuring continuity of IT applications to support sustainability and growth and prevent operational, regulatory, financial and reputational impacts.	<ul style="list-style-type: none"> + Reporting of risks and management activity + Proactive monitoring, review and testing of infrastructure + Disaster recovery and business continuity planning and testing.

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.

Report of the directors

Business review (continued)

Directors' interest in shares

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

Directors	Direct securities	Indirect securities	Total
Ian Douglas Ferrier, AM	208,325	–	208,325
David Jeremy Collins	5,000	–	5,000
Gregory Leith Goodman	74,874	38,029,673	38,104,547
Daniel Cornelius D. Peeters	–	2,103,548	2,103,548

In addition, Gregory Goodman and Daniel Peeters participate in the Goodman Group Long Term Incentive Plan (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 2020 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	–	900,000	–	–	900,000	20 Nov 19	2023 – 2025
	1,600,000	–	–	–	1,600,000	15 Nov 18	2022 – 2024
	1,600,000	–	–	–	1,600,000	16 Nov 17	2021 – 2023
	2,400,000	–	(800,000)	–	1,600,000	30 Sep 16	2020 – 2022
	1,300,001	–	(650,001)	–	650,000	25 Nov 15	2019 – 2021
	331,826	–	(331,826)	–	–	20 Nov 14	2018 – 2020
Daniel Cornelius D. Peeters	–	350,000	–	–	350,000	20 Nov 19	2023 – 2025
	550,000	–	–	–	550,000	15 Nov 18	2022 – 2024
	550,000	–	–	–	550,000	16 Nov 17	2021 – 2023
	600,000	–	(200,000)	–	400,000	30 Sep 16	2020 – 2022
	292,500	–	(146,250)	–	146,250	25 Nov 15	2019 – 2021
	165,913	–	(165,913)	–	–	20 Nov 14	2018 – 2020

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

Auditors

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

Subsequent events

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

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The directors have been given declarations equivalent to those required of listed Australian companies by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2020.

By order of the board of directors



Ian Douglas Ferrier, AM
Director



David Jeremy Collins
Director

Sydney, 13 August 2020

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 162 to 206, which comprise the consolidated statement of financial position as at 30 June 2020, 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 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information which comprises all the information included in the Company's Report of the directors.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- + Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- + Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- + Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- + Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- + Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- + Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**KPMG**

Certified Public Accountants

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

13 August 2020

Consolidated statement of financial position

as at 30 June 2020

(expressed in Australian dollars)

	Note	2020 \$M	2019 ¹ \$M
Current assets			
Cash	17(a)	357.4	212.7
Inventories	6(b)	405.1	156.6
Receivables	7	563.6	556.2
Contract assets	8	25.1	279.5
Current tax receivables	4(c)	0.8	1.2
Other assets		1.7	1.5
Assets held for sale	9	97.9	–
Total current assets		1,451.6	1,207.7
Non-current assets			
Inventories	6(b)	553.2	315.2
Investment properties	6(b)	7.2	–
Investments accounted for using the equity method	6(b)	1,276.2	1,226.9
Receivables	7	279.0	82.1
Other financial assets	13	36.4	28.2
Deferred tax assets	4(d)	6.3	0.1
Property, plant and equipment		23.8	4.7
Other assets		5.3	5.8
Total non-current assets		2,187.4	1,663.0
Total assets		3,639.0	2,870.7
Current liabilities			
Payables	10	200.5	227.5
Loans from related parties	21(c)	1,403.7	851.7
Current tax payables	4(c)	48.2	28.3
Employee benefits		39.4	23.9
Dividend payable	15	73.1	90.7
Total current liabilities		1,764.9	1,222.1
Non-current liabilities			
Payables	10	57.5	52.3
Loans from related parties	21(c)	327.3	250.7
Deferred tax liabilities	4(d)	0.9	30.8
Employee benefits		24.8	–
Other financial liabilities	13	48.9	6.7
Total non-current liabilities		459.4	340.5
Total liabilities		2,224.3	1,562.6
Net assets		1,414.7	1,308.1
Equity attributable to Shareholders			
Share capital	16(a)	732.0	696.0
Reserves	18	(624.5)	(447.4)
Retained earnings	19	1,287.2	1,034.8
Total equity attributable to Shareholders		1,394.7	1,283.4
Non-controlling interests		20.0	24.7
Total equity		1,414.7	1,308.1

1. The Consolidated Entity has adopted HKFRS 16 Leases with a date of initial application of 1 July 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (refer note 1(e)).

The notes on pages 166 to 206 form part of these consolidated financial statements.

Approved and authorised for issue by the board of directors on 13 August 2020.



Ian Douglas Ferrier, AM
Director



David Jeremy Collins
Director

Consolidated statement of comprehensive income

for the year ended 30 June 2020

(expressed in Australian dollars)

	Note	2020 \$M	2019 \$M
Revenue			
Gross property income		21.5	8.3
Management income	2	276.5	317.0
Development income	2	653.6	694.7
Dividends from investments		–	0.8
		951.6	1,020.8
Property and development expenses			
Property expenses		(4.9)	(3.2)
Development expenses	2	(371.5)	(474.8)
		(376.4)	(478.0)
Other income			
Net loss from fair value adjustments on investment properties		(1.2)	–
Net gain on disposal of investment properties		0.2	–
Share of net results of equity accounted investments	6(e)	107.0	221.2
Net gain on disposal of equity accounted investments		24.9	4.8
		130.9	226.0
Other expenses			
Employee expenses	2	(146.8)	(91.7)
Share based payments expense		(57.6)	(54.8)
Administrative and other expenses		(39.3)	(26.2)
Transaction management fees		(57.4)	(101.9)
		(301.1)	(274.6)
Profit before interest and income tax	2	405.0	494.2
Net finance income/(expense)			
Finance income	12	23.7	4.4
Finance expense	12	(58.8)	(37.4)
Net finance expense		(35.1)	(33.0)
Profit before income tax		369.9	461.2
Income tax expense	4	(40.2)	(57.6)
Profit for the year		329.7	403.6
Profit for the year attributable to:			
Shareholders	19	325.5	398.9
Non-controlling interests		4.2	4.7
Profit for the year		329.7	403.6
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Increase due to revaluation of other financial assets		5.5	3.0
		5.5	3.0
Item that may be reclassified subsequently to profit or loss:			
Effect of foreign currency translation		(14.6)	2.5
		(14.6)	2.5
Other comprehensive (loss)/income for the year, net of tax		(9.1)	5.5
Total comprehensive income for the year		320.6	409.1
Total comprehensive income for the year attributable to:			
Shareholders		316.2	403.9
Non-controlling interests		4.4	5.2
Total comprehensive income for the year		320.6	409.1

The notes on pages 166 to 206 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2020

Year ended 30 June 2019

(expressed in Australian dollars)

	Note	Attributable to Shareholders					Non-controlling interests \$M	Total equity \$M
		Share capital \$M	Reserves \$M	Retained earnings \$M	Total \$M			
Balance at 1 July 2018		674.6	(459.6)	726.6	941.6	22.4	964.0	
Total comprehensive income for the year								
Profit for the year	19	–	–	398.9	398.9	4.7	403.6	
Other comprehensive income for the year		–	5.0	–	5.0	0.5	5.5	
Total comprehensive income for the year, net of income tax		–	5.0	398.9	403.9	5.2	409.1	
Contributions by and distributions to owners								
Dividend declared/paid	15	–	–	(90.7)	(90.7)	(2.9)	(93.6)	
Issue of shares to employees of Goodman Group	16(a)	21.4	–	–	21.4	–	21.4	
Equity settled share based payments transactions	18(c)	–	7.2	–	7.2	–	7.2	
Balance at 30 June 2019		696.0	(447.4)	1,034.8	1,283.4	24.7	1,308.1	

Year ended 30 June 2020

(expressed in Australian dollars)

	Note	Attributable to Shareholders					Non-controlling interests \$M	Total equity \$M
		Share capital \$M	Reserves \$M	Retained earnings \$M	Total \$M			
Balance at 1 July 2019		696.0	(447.4)	1,034.8	1,283.4	24.7	1,308.1	
Total comprehensive income for the year								
Profit for the year	19	–	–	325.5	325.5	4.2	329.7	
Other comprehensive (loss)/income for the year		–	(9.3)	–	(9.3)	0.2	(9.1)	
Total comprehensive (loss)/income for the year, net of income tax		–	(9.3)	325.5	316.2	4.4	320.6	
Contributions by and distributions to owners								
Dividend declared/paid	15	–	–	(73.1)	(73.1)	(9.8)	(82.9)	
Issue of shares to employees of Goodman Group	16(a)	36.0	–	–	36.0	–	36.0	
Equity settled share based payments transactions	18(c)	–	5.2	–	5.2	–	5.2	
Actuarial losses on defined benefit superannuation funds	18(d)	–	(8.2)	–	(8.2)	–	(8.2)	
Acquisition of entities from Goodman Limited	18(e)	–	(164.8)	–	(164.8)	–	(164.8)	
Acquisition of special purpose development entity with non-controlling interests		–	–	–	–	0.7	0.7	
Balance at 30 June 2020		732.0	(624.5)	1,287.2	1,394.7	20.0	1,414.7	

The notes on pages 166 to 206 form part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 30 June 2020

(expressed in Australian dollars)

	Note	2020 \$M	2019 \$M
Cash flows from operating activities			
Property income received		20.2	5.8
Cash receipts from development activities		796.1	688.1
Other cash receipts from services provided		451.5	186.1
Property expenses paid		(4.8)	(2.9)
Payments for development activities		(513.8)	(552.8)
Other cash payments in the course of operations		(418.3)	(120.4)
Dividends/distributions received		77.6	52.8
Interest received		21.1	0.4
Finance costs paid		(0.9)	(0.6)
Net income taxes paid		(52.4)	(18.0)
Net cash provided by operating activities	17(b)	376.3	238.5
Cash flows from investing activities			
Proceeds from disposal of investment properties		4.8	–
Proceeds from disposal of controlled entities, net of cash disposed		95.6	–
Payments for investment properties		(97.1)	–
Proceeds from disposal of equity accounted investments		–	4.8
Capital return from equity accounted investments		109.2	50.1
Payments for equity investments		(155.7)	(191.0)
Payments for plant and equipment		(0.1)	(0.3)
Cash acquired on acquisition of subsidiaries	20	37.9	–
Net cash used in investing activities		(5.4)	(136.4)
Cash flows from financing activities			
Net (repayments of)/proceeds from loans with related parties		(101.0)	78.5
Payments of lease liabilities		(11.9)	–
Dividends paid to Shareholders		(90.7)	(90.0)
Dividends paid to non-controlling interests		(9.8)	(2.9)
Net cash used in financing activities		(213.4)	(14.4)
Net increase in cash held		157.5	87.7
Cash at the beginning of the year		212.7	115.5
Effect of exchange rate fluctuations on cash held		(2.0)	9.5
Cash at the end of the year	17(a)	368.2	212.7

The notes on pages 166 to 206 form part of these consolidated financial statements.

Notes to the consolidated financial statements

BASIS OF PREPARATION

1 Basis of preparation

(a) Statement of compliance

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

(b) Basis of preparation of the consolidated financial statements

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

As at 30 June 2020, the Consolidated Entity had net current liabilities of \$313.3 million. In accordance with the stapling agreement between the Company (GLHK), Goodman Limited (GL) and Goodman Funds Management Limited as responsible entity for Goodman Industrial Trust (GIT), on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

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

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

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under

the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) Accounting for acquisitions of non-controlling interests

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

(d) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

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

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations.

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

(e) Changes in accounting policies

The Consolidated Entity has adopted HKFRS 16 *Leases* with a date of initial application of 1 July 2019.

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases* and other existing guidance on leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

The Consolidated Entity applied HKFRS 16 on 1 July 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying this standard is recognised at the date of initial application. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

Accounting policy applicable from 1 July 2019

(i) Definition

HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Consolidated Entity applied the practical expedient to grandfather the definition of a lease on transition. This means that it will apply HKFRS 16 to all contracts entered into before 1 July 2019 that had been identified as leases in accordance with the old leases accounting standard (HKAS 17).

(ii) Lessee accounting

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 right of use asset is subsequently depreciated using the straight-line method.

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 new standard will result in the gross up of assets and liabilities where the Consolidated Entity leases office buildings, motor vehicles, office equipment and development land classified as inventories.

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. 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.

(iii) Leasehold investment property

Under HKFRS 16, the Consolidated Entity is required to account for all properties on leasehold land as investment properties when these properties are held for the purpose of leasing to produce rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Consolidated Entity's financial statements as the Consolidated Entity has previously applied HKAS 40 *Investment property*, to account for all of its leasehold properties that were held for investment purposes at fair value. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

The accounting policies applicable to the Consolidated Entity as a lessor remain substantially unchanged from those under HKAS 17.

Notes to the consolidated financial statements

Basis of preparation (continued) 1 Basis of preparation (continued)

(v) Transitional impact

The comparative information at 30 June 2019 has not been restated. The following table summarises the impact of the adoption of HKFRS 16 on the Consolidated Entity's consolidated statement of financial position at 1 July 2019:

	Impact of adopting HKFRS 16		
	At 30 Jun 2019 \$M	Adjustments \$M	At 1 Jul 2019 \$M
Current assets			
Inventories	156.6	8.3	164.9
Total current assets	1,207.7	8.3	1,216.0
Non-current assets			
Inventories	315.2	14.8	330.0
Property, plant and equipment	4.7	11.3	16.0
Total non-current assets	1,663.0	26.1	1,689.1
Current liabilities			
Lease liabilities	–	8.3	8.3
Total current liabilities	1,222.1	8.3	1,230.4
Non-current liabilities			
Lease liabilities	–	26.1	26.1
Total non-current liabilities	340.5	26.1	366.6
Net assets	1,308.1	–	1,308.1

Inventories

The adjustment to inventories arises from leasehold land previously classified as operating leases and held for development.

Property, plant and equipment

On the adoption of HKFRS 16, the Consolidated Entity presented the right of use assets associated with the leases of office buildings, motor vehicles and office equipment as property, plant and equipment. In the prior full year financial report, property, plant and equipment was included in other assets in the consolidated statement of financial position.

Lease liabilities

The present value of future lease payments are presented as lease liabilities.

	At 1 Jul 2019 \$M
Operating lease commitments disclosed at 30 June 2019	62.9
Discounted using the incremental borrowing rate at 1 July 2019	(25.6)
Recognition exemption for:	
– short-term leases	(2.9)
Lease liabilities recognised at 1 July 2019	34.4
Comprising:	
Current lease liabilities	8.3
Non-current lease liabilities	26.1
	34.4

(vi) Impact on results for the period

After the initial recognition of right of use assets and lease liabilities at 1 July 2019, Consolidated Entity, as a lessee, is required to recognise interest expense on the outstanding balance of the lease liability, and the depreciation of the right of use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact on profit or loss in the current period as a result of this change in policy is not significant compared to the results if HKAS 17 continued to apply.

In the consolidated cash flow statement, the Consolidated Entity, as a lessee, has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. Under HKAS 17, the entire lease payment was classified within operating activities. The Consolidated Entity has determined that the change does not have a significant impact on the presentation of cash flows.

(f) Accounting standards issued but not yet effective

The Consolidated Entity has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of the new accounting standards or interpretations is expected to have a significant impact on the future results of the Consolidated Entity.

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

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

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

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

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

Measurement of fair values

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

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

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

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

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

Notes to the consolidated financial statements

Results for the year

RESULTS FOR THE YEAR

2 Profit before interest and income tax

Gross property income

Gross property income comprises rental income under operating leases (net of incentives provided) and amounts billed to customers for outgoing (e.g. rates, levies, cleaning, security, etc.). Amounts billed to customers for outgoing 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 investment management and property services 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 that have occurred over the performance fee period, then it is reported as development income, otherwise the income is reported as management income. The Partnerships make payments in respect of portfolio performances fees at the end of the performance periods, once the attainment of the conditions has been verified and the amount of the fee has been agreed by all parties.

Development income – disposal of inventories

The disposal of inventories is recognised at the point in time when control over the property asset is transferred to the customer. This will generally occur on transfer of legal title and payment in full by the customer. The gain or loss on disposal of inventories is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal (less transaction costs) and is included in profit or loss in the period of disposal.

Development income – development management services

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

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

Development income – fixed price development contracts

Certain development activities are assessed as being fixed price development contracts. This occurs when a signed contract exists, either prior to the commencement of or during the development phase, to acquire a development asset from the Consolidated Entity on completion. Revenue and expenses relating to these development contracts are recognised in profit or loss in proportion to the stage of completion of the relevant contracts by reference to costs. The payments may be on completion of the development once legal title has been transferred. The development period can be up to twenty four 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 that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date. These are calculated at undiscounted amounts based on rates that are expected to be paid as at the reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Bonuses

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

Defined contribution retirement plans

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

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

	2020 \$M	2019 \$M
Management income	146.4	122.8
Portfolio performance fees	130.1	194.2
Management income	276.5	317.0
Income from disposal of inventories	451.6	305.0
Development income from fixed price development contracts	35.4	310.7
Other development income, including development management	165.3	74.5
Net gain on disposal of special purpose development entities	1.3	4.5
Development income	653.6	694.7
Inventory cost of sales	(318.8)	(220.8)
Other development expenses	(52.7)	(254.0)
Development expenses	(371.5)	(474.8)
Included in employee expenses are the following items:		
Salaries, wages and other benefits	(145.5)	(90.7)
Contributions to defined contribution retirement plans	(1.3)	(1.0)
Employee expenses	(146.8)	(91.7)
Operating lease expense	–	(8.0)
Depreciation of plant and equipment	(11.7)	(2.0)
Auditor's remuneration	(1.2)	(0.8)

Notes to the consolidated financial statements

Results for the year (continued)

3 Segment reporting

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

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Asia (which consists of Greater China and Japan), Continental Europe and the United Kingdom.

The activities and services undertaken by the operating segments include:

- + Property investment, comprising the Consolidated Entity's cornerstone investments in Partnerships
- + Management activities, both fund and property management
- + Development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for the Consolidated Entity's Partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment primarily include inventories, and the operating segment's investments in Partnerships, 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.

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Statement of comprehensive income								
External revenues								
Gross property income	1.8	1.5	10.5	6.8	9.2	–	21.5	8.3
Management income	186.4	195.6	88.0	121.4	2.1	–	276.5	317.0
Development income	160.1	66.1	476.2	628.6	17.3	–	653.6	694.7
Dividends from investments	–	0.8	–	–	–	–	–	0.8
Total external revenues	348.3	264.0	574.7	756.8	28.6	–	951.6	1,020.8
Analysis of external revenues:								
Revenues from contracts with customers								
Assets and services transferred at a point in time	15.3	19.4	467.0	318.0	3.7	–	486.0	337.4
Assets and services transferred over time	331.5	243.2	99.6	434.6	15.6	–	446.7	677.8
Other revenue								
Rental income (excludes outgoing recoveries)	1.5	1.4	8.1	4.2	9.3	–	18.9	5.6
Total external revenues	348.3	264.0	574.7	756.8	28.6	–	951.6	1,020.8
Reportable segment profit before income tax	259.6	166.7	219.7	279.6	6.1	4.0	485.4	450.3
Other key components of financial performance included in reportable segment profit before income tax								
Share of net results of equity accounted investments (before fair value adjustments)	68.8	68.9	13.3	11.3	4.9	4.0	87.0	84.2
Material non-cash items not included in reportable segment profit before income tax								
Share of fair value adjustments in equity accounted investments	8.2	105.7	1.7	14.4	10.1	16.9	20.0	137.0
Statement of financial position	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Reportable segment assets	1,334.5	1,405.1	880.0	855.4	822.2	202.2	3,036.7	2,462.7
Investments accounted for using the equity method (included in reportable segment assets)	854.7	882.9	140.5	147.7	281.0	196.3	1,276.2	1,226.9
Total non-current assets	991.7	993.9	422.0	472.8	523.4	196.3	1,937.1	1,663.0
Reportable segment liabilities	96.1	76.2	98.7	73.3	103.2	–	298.0	149.5

Notes to the consolidated financial statements

Results for the year (continued) 3 Segment reporting (continued)

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

	2020 \$M	2019 \$M
Revenue		
Total revenue for reportable segments	951.6	1,020.8
Consolidated revenues	951.6	1,020.8
Profit or loss		
Total profit before income tax for reportable segments	485.4	450.3
Corporate expenses not allocated to reportable segments	(41.6)	(38.3)
	443.8	412.0
Valuation and other adjustments not included in reportable segment profit before income tax:		
– Net loss from fair value adjustments on investment properties	(1.2)	–
– Share of fair value adjustments in equity accounted investments	20.0	137.0
– Share based payments expense	(57.6)	(54.8)
Net finance expense – refer to note 12	(35.1)	(33.0)
Consolidated profit before income tax	369.9	461.2
Assets		
Total assets for reportable segments	3,036.7	2,462.7
Other unallocated amounts ¹	602.3	408.0
Consolidated total assets	3,639.0	2,870.7
Liabilities		
Total liabilities for reportable segments	298.0	149.5
Other unallocated amounts ¹	1,926.3	1,413.1
Consolidated total liabilities	2,224.3	1,562.6

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

4 Income tax expense

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

(a) Taxation in the consolidated statement of comprehensive income

	2020 \$M	2019 \$M
Current tax expense – Hong Kong profits tax		
Current year	(41.4)	(3.6)
Adjustment for prior periods	1.2	0.6
	(40.2)	(3.0)
Current tax expense – overseas		
Current year	(34.8)	(30.4)
Adjustment for prior periods	2.0	1.1
	(32.8)	(29.3)
Deferred tax expense		
Origination and reversal of temporary differences	32.8	(24.9)
Other	–	(0.4)
	32.8	(25.3)
Total income tax expense	(40.2)	(57.6)

The provision for Hong Kong profits tax for year ended 30 June 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Notes to the consolidated financial statements

Results for the year (continued)

4 Income tax expense (continued)

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

	2020 \$M	2019 \$M
Profit before income tax	369.9	461.2
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(98.1)	(124.4)
(Increase)/decrease in income tax due to:		
– Current year losses for which no deferred tax asset was recognised	(9.4)	(7.7)
– Non-assessable income	104.5	96.0
– Non-deductible expense	(49.9)	(43.8)
– Utilisation of previously unrecognised tax losses	9.5	20.6
– Adjustment for prior periods	3.2	1.7
Income tax expense	(40.2)	(57.6)

(c) Net income tax payable

	2020 \$M	2019 \$M
Net balance at the beginning of the year	(27.1)	(12.0)
Decrease/(increase) in current net tax payable due to:		
– Net income taxes paid	52.4	18.0
– Net income tax expense on current year's profit	(76.2)	(34.0)
– Adjustment for prior periods	3.2	1.7
– Other	0.3	(0.8)
Net balance at the end of the year	(47.4)	(27.1)
Current tax receivables	0.8	1.2
Current tax payables	(48.2)	(28.3)
	(47.4)	(27.1)

(d) Deferred tax assets and liabilities

Deferred tax assets of \$6.3 million (2019: \$0.1 million) arising from employee benefits and deferred tax liabilities of \$0.9 million (2019: \$30.8 million) arising from other receivables were recognised in the consolidated statement of financial position.

5 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of \$395.0 million (2019: \$114.7 million) which has been dealt with in the financial statements of the Company.

Notes to the consolidated financial statements

Operating assets and liabilities

OPERATING ASSETS AND LIABILITIES

6 Property assets

(a) Types of property assets

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

Inventories

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

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes.

Inventories are carried at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. The calculation of net realisable value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. 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 value and at completion external valuations are obtained to determine the fair values.

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

Deposits for investment properties

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

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

	Note	2020 \$M	2019 \$M
Directly held property:			
Inventories			
Current	6(d)	405.1	156.6
Non-current	6(d)	553.2	315.2
		958.3	471.8
Investment properties			
Stabilised investment properties		7.2	–
		7.2	–
Property held by Partnerships:			
Investments accounted for using the equity method – joint ventures	6(e)	1,276.2	1,226.9
		1,276.2	1,226.9

(c) Estimates and assumptions in determining property carrying values**Inventories**

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

Stabilised investment properties

The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted 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 institutional investors)
- + Categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

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

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

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

Market assessment

The lockdowns and economic impacts from the COVID-19 pandemic commenced at different time, with Asia affected from December 2019 and Europe from February 2020. The independent valuers would normally calculate fair values using both observable capitalisation rates and discounted cash flows. At the start of the pandemic, the independent valuers were concerned that historic market transactional evidence would not be appropriate to use in their assessments of the valuations of the investment properties and certain of their valuations undertaken at March 2020 for the Partnerships placed a greater reliance on the discounted cash flow methodology and most valuation reports included a reference to the material uncertainty that existed in the market at that time.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

However, in the last quarter of the financial year, it became clear that asset values in the industrial, logistics and warehousing sectors had been less impacted than those for other real estate asset classes. This was evidenced by market transactions in the three months ended 30 June 2020 that were completed at values consistent with the reported valuations from the independent valuers. Accordingly, at 30 June 2020, the independent valuers have been able to prepare valuations using both observable capitalisation rates and discounted cash flows and relatively few valuation reports included a reference to the uncertainty in the market that was specific to the subject property.

At 30 June 2020, the Board has been able to assess that all markets in which the Consolidated Entity operated were active and as a consequence, no adjustments have been made to the carrying values of the Consolidated Entity's stabilised investment property portfolios on the basis of internally prepared discounted cash flow valuations.

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

Division	Total portfolio weighted average capitalisation rate	
	2020 %	2019 %
Asia	5.6	5.6
Continental Europe	4.3	4.6
United Kingdom	4.4	4.5

Sensitivity analysis

The stabilised investment property valuations are most sensitive to the following inputs:

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

The impacts on the Consolidated Entity's financial position that would arise from the changes in the above assumptions are set out in the table below:

	Partnerships ¹ \$M
Book value at 30 June 2020	1,263.5
Changes in capitalisation rates:	
Increase in capitalisation rates +50bps	(111.5)
Increase in capitalisation rates +25bps	(58.3)
Decrease in capitalisation rates -25bps	64.4
Decrease in capitalisation rates -50bps	135.8
Changes in market rents:	
Decrease in rents -5%	(62.3)
Decrease in rents -2.5%	(31.2)
Increase in rents +2.5%	31.2
Increase in rents +5%	62.3
Changes in voids/incentives²:	
Increase in voids/incentives +6 months	(10.7)
Increase in voids/incentives +3 months	(5.4)

1. Reflects the Consolidated Entity's share in Partnerships.
2. On assumed lease expiries over the next 12 months.

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location, size and current status of the development and is generally in a market range of 10% to 15%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

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

(d) Inventories

	2020 \$M	2019 \$M
Current		
Land and development properties	405.1	156.6
	405.1	156.6
Non-current		
Land and development properties	524.8	315.2
Leasehold land and development properties	28.4	–
	553.2	315.2

No impairment losses on land and development properties was recognised in the current and comparative financial years.

(e) Investments accounted for using the equity method**Joint ventures**

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

Transactions eliminated on consolidation

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

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

Name	Country of establishment	Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2020 \$M	2019 \$M	2020 %	2019 %	2020 \$M	2019 \$M
Property investment							
KWASA Goodman Germany (KGG)	Luxembourg	13.0	22.9	20.5	19.3	137.4	140.8
Property development							
Goodman Japan Development Partnership (GJDP)	Japan	49.4	53.3	50.0	50.0	116.8	189.4
Property investment and development							
Goodman China Logistics Partnership (GCLP)	Cayman Islands	30.3	122.6	20.0	20.0	737.2	690.3
Goodman UK Partnership (GUKP)	United Kingdom	14.8	20.9	33.3	33.3	277.0	196.3
Other JVs		(0.5)	1.5			7.8	10.1
		107.0	221.2			1,276.2	1,226.9

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

GJDP undertakes property development activities, with completed developments sold at, or shortly after, completion depending on leasing status. The Consolidated Entity's other Partnerships have a long-term remit to hold investment properties to earn rental income and for capital appreciation, although they will undertake developments when an appropriate opportunity arises.

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

	2020 \$M	2019 \$M
Movements in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	1,226.9	907.2
Share of net results after tax (before fair value adjustments)	87.0	84.2
Share of fair value adjustments	20.0	137.0
Share of net results	107.0	221.2
Share of movements in reserves	(25.8)	(39.8)
Acquisitions	153.0	189.0
Capital return	(116.0)	(50.1)
Disposals	(0.3)	–
Transfer to assets held for sale	(11.2)	–
Dividends/distributions received and receivable	(71.3)	(52.0)
Effect of foreign currency translation	13.9	51.4
Carrying amount at the end of the year	1,276.2	1,226.9

Summary financial information of JVs

The following table summarises the financial information of the material Partnerships as included in their own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Consolidated Entity's interest in the JVs.

	KGG		GJDP		GCLP		GUKP	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Summarised statement of financial position								
Current assets								
Cash and cash equivalents	36.5	14.5	112.6	150.8	231.1	218.1	38.6	21.0
Other current assets	6.5	2.7	16.1	36.2	73.5	32.3	2.0	1.2
Total current assets	43.0	17.2	128.7	187.0	304.6	250.4	40.6	22.2
Total non-current assets	1,215.1	1,319.7	378.5	501.1	4,741.5	4,421.7	813.4	572.2
Current liabilities								
Financial liabilities (excluding trade payables and other provisions)	–	–	–	–	220.7	–	–	–
Other current liabilities	88.8	76.3	28.7	6.2	2,515.9	2,333.4	15.5	6.8
Total current liabilities	88.8	76.3	28.7	6.2	2,736.6	2,333.4	15.5	6.8
Non-current liabilities								
Financial liabilities (excluding trade payables and other provisions)	460.8	530.3	232.0	283.2	390.1	503.5	–	–
Other non-current liabilities	37.2	–	12.8	17.1	509.8	456.2	–	–
Total non-current liabilities	498.0	530.3	244.8	300.3	899.9	959.7	–	–
Net assets (100%)	671.3	730.3	233.7	381.6	1,409.6	1,379.0	838.5	587.6
Consolidated ownership interest (%)	20.5	19.3	50.0	50.0	20.0	20.0	33.3	33.3
Consolidated share of net assets	137.4	140.8	116.8	190.8	281.9	275.8	279.2	195.9
Shareholder loans ¹	–	–	–	–	452.0	411.2	–	–
Other items, including acquisition costs	–	–	–	(1.4)	3.3	3.3	(2.2)	0.4
Carrying amount of interest in JV	137.4	140.8	116.8	189.4	737.2	690.3	277.0	196.3
Summarised statement of comprehensive income								
Revenue	100.0	63.9	519.6	440.3	193.3	159.9	17.0	16.7
Net finance expense/(income)	(5.6)	(8.3)	(0.8)	(0.7)	(22.4)	(20.7)	52.0	(5.6)
Income tax expense	(22.3)	(4.1)	(3.1)	(1.1)	(23.9)	(21.4)	–	–
Profit and total comprehensive income (100%)	80.2	108.6	98.8	106.6	22.4	414.4	44.5	62.8
Consolidated share of profit and total comprehensive income	13.0	22.9	49.4	53.3	4.5	82.8	14.8	20.9
Dividends/distributions received and receivable by the Consolidated Entity	13.7	5.9	54.5	40.1	3.1	6.0	–	–

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.

Notes to the consolidated financial statements

Operating assets and liabilities (continued) 7 Receivables (continued)

7 Receivables

Non-derivative financial assets

The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

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

Amounts recoverable on development contracts

Amounts recoverable on development contracts arise when the Consolidated Entity contracts to sell a completed development asset either prior to or during the development phase. The receivables are stated at cost plus profit recognised to date less an allowance for foreseeable losses and less amounts already billed.

Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except inventories, refer to note 6(d); and deferred tax assets, refer to note 4) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in profit or loss in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to the carrying amount of any identified intangible asset and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial assets and contract assets

The Consolidated Entity recognises an impairment loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. Financial assets measured at amortised cost include cash and cash equivalents, trade receivables, amounts and loans due from related parties and other receivables.

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls. In measuring ECLs, the Consolidated Entity takes into account information about past events, current conditions and forecasts of future economic conditions.

Impairment loss allowances for trade receivables, amounts due from related parties, other receivables and contract assets are measured at an amount equal to a lifetime ECL. Lifetime ECLs are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Consolidated Entity recognises an impairment loss allowance equal to the expected losses within 12 months after the reporting date on loans to related parties, unless there has been a significant increase in credit risk of the loans since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

	Note	2020 \$M	2019 \$M
Current			
Trade receivables		11.1	7.8
Other receivables		61.8	50.8
Amounts due from related parties		106.3	89.6
Loans to related parties	21(c)	384.4	408.0
		563.6	556.2
Non-current			
Loans to related parties	21(c)	279.0	82.1
		279.0	82.1

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. All non-current receivables of the Consolidated Entity are due within five years from the reporting date. There is no material difference between the carrying values and the fair values of receivables.

Trade receivables

No trade receivables were impaired at 30 June 2020 and 2019. There are no significant overdue trade receivables at 30 June 2020.

Other receivables

At 30 June 2020, none of the other receivables balance was overdue or impaired (2019: \$nil).

Amounts due from related parties

At 30 June 2020, none of the amounts due from related parties was overdue or impaired (2019: \$nil). Amounts due from related parties are typically repayable within 30 days. The amounts due from related parties are unsecured.

Loans to related parties

Loans to related parties principally relate to loans to fellow subsidiaries of GL and GIT and loans to JVs. Refer to note 21(c) for details of loans to related parties. During the year, no impairment losses were recognised on loans to related parties (2019: \$nil). The loans to related parties are unsecured.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

8 Contract balances

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

Contract liabilities primarily comprise deposits and other amounts received in advance for development contracts and rental guarantees.

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

	2020 \$M	2019 \$M
Current		
Receivables from contracts with customers, which are included in trade receivables, other receivables and amounts due from related parties	110.2	100.0
Contract assets	25.1	279.5
Contract liabilities	12.3	5.2
Non-current		
Contract liabilities	1.5	3.0

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

	2020		2019	
	Contract assets \$M	Contract liabilities \$M	Contract assets \$M	Contract liabilities \$M
Balance at the beginning of the year	279.5	8.2	141.0	25.6
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	(1.6)	–	(17.6)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	7.2	–	–
Transfers from contract assets to receivables	(729.0)	–	(384.1)	–
Increase due to changes in the measure of progress during the year	464.5	–	513.9	–
Effect of foreign currency translation	10.1	–	8.7	0.4
Other	–	–	–	(0.2)
Balance at the end of the year	25.1	13.8	279.5	8.2
Current contract assets and liabilities	25.1	12.3	279.5	5.2
Non-current contract liabilities	–	1.5	–	3.0
	25.1	13.8	279.5	8.2

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 \$14.3 million (2019: \$21.9 million). This amount represents revenue expected to be recognised in the future from ongoing management and fixed price development contracts with customers. The Consolidated Entity will recognise the expected revenue in the future as the work is completed, which is expected to be within the next 12 months.

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 assets under management, total development project costs or gross property income of the Partnerships and are invoiced as the services are provided.

9 Assets held for sale

In March 2020, the Consolidated Entity entered into an agreement with a third party to dispose a portfolio of property assets and the Consolidated Entity's operating platform in the Czech Republic, Hungary, Poland and Slovakia. The disposal was completed on 8 July 2020. Accordingly, at 30 June 2020, 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 2020, the disposal group was held at the lower of carrying amount and fair value less costs to sell and comprised of the following assets and liabilities within the Continental Europe segment:

	Note	2020 \$M
Cash	17(a)	10.8
Receivables		6.5
Inventories		89.1
Investments accounted for using the equity method	6(e)	11.2
Other assets		7.0
Assets held for sale		124.6
Payables		5.5
Loans from related parties		14.6
Lease liabilities		6.6
Liabilities held for sale		26.7

No impairment losses have been recognised in FY20 in respect of the disposal group.

10 Payables

Non-derivative financial liabilities

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

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

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

The Consolidated Entity has classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

Other financial liabilities comprise trade payables, other payables and accruals and contract and lease liabilities.

	Note	2020 \$M	2019 \$M
Current			
Trade payables		63.0	26.9
Other payables and accruals		114.7	195.4
Contract liabilities	8	12.3	5.2
Lease liabilities	11	10.5	–
		200.5	227.5
Non-current			
Other payables and accruals		38.2	49.3
Contract liabilities	8	1.5	3.0
Lease liabilities	11	17.8	–
		57.5	52.3

11 Leases

Refer to note 1(e) for the accounting policy on leases.

Information about leases for which the Consolidated Entity is a lessee is detailed below:

	2020 \$M
Right of use assets	
Inventories	28.4
Property, plant and equipment	18.9
	47.3
Lease liabilities	
Current	10.5
Non-current	17.8
	28.3

The following were recognised during the year:

	2020 \$M
Additions to right of use assets ¹	52.3
Depreciation of right of use assets	9.8
Interest expense on lease liabilities	0.9
Cash outflows on lease liabilities	11.9

1. Additions to right of use assets include balances on acquisition of entities from GL.

CAPITAL MANAGEMENT

12 Finance income and expense

Finance income

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

Finance expense

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

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

	Note	2020 \$M	2019 \$M
Finance income			
Interest income on loans to:			
– Related parties	21	10.2	3.8
– Other parties		1.1	0.6
Interest income from derivatives		12.4	–
		23.7	4.4
Finance expense			
Interest expense from related party loans	21	(44.9)	(37.2)
Other borrowing costs		(1.2)	(0.4)
Fair value adjustments on derivative financial instruments		(21.8)	(6.7)
Foreign exchange loss		–	(0.1)
Capitalised borrowing costs		9.1	7.0
		(58.8)	(37.4)
Net finance expense		(35.1)	(33.0)

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 2.0% and 4.2% per annum (2019: 2.5% and 5.9% per annum).

Notes to the consolidated financial statements

Capital management (continued)

13 Other financial assets and liabilities

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

Derivative financial instruments and hedging

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

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

Investments in unlisted securities

Subsequent to initial recognition, investments in unlisted securities are measured at fair value and changes therein are recognised as other comprehensive income and presented in the asset revaluation reserve in equity. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to retained earnings.

Other financial assets

	2020 \$M	2019 \$M
Derivative financial instruments	2.1	–
Investment in unlisted securities, at fair value ¹	34.3	28.2
	36.4	28.2

1. Principally relates to the Consolidated Entity's 10.0% (2019: 10.0%) interest in Goodman Japan Limited. During the year, a revaluation gain of \$5.5 million was recognised in other comprehensive income (2019: \$3.0 million gain). Refer to note 14(d) for assumptions made in measuring fair value of the unlisted securities.

Other financial liabilities

	2020 \$M	2019 \$M
Derivative financial instruments	48.9	6.7
	48.9	6.7

14 Financial risk management

The Consolidated Entity's capital management and financial risk management processes are managed as part of the wider Goodman Group. There are established policies, documented in Goodman Group's financial risk management (FRM) policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

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

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

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

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

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to transactional foreign currency risk and net investment foreign currency risk through its investments in Hong Kong, Japan, China, Continental Europe and the United Kingdom. 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).

The Consolidated Entity has minimal transactional foreign exchange risk as the majority of transactions in each division are in the functional currency of each division.

As at 30 June 2020, 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:

	2020			2019		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	EUR'M	A\$M	AUD/EUR	EUR'M	A\$M	AUD/EUR
AUD receivable/EUR payable	(495.0)	803.0	0.6165	(495.0)	803.0	0.6165
	CNY'M	US\$'M	USD/CNY	CNY'M	US\$'M	USD/CNY
USD receivable/CNY payable	(3,823.9)	500.0	7.6477	–	–	–

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2019: 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 \$16.3 million (2019: \$31.5 million). If the Australian dollar had been 5% (2019: 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 \$16.3 million (2019: \$31.5 million).

Notes to the consolidated financial statements

Capital management (continued)

14 Financial risk management (continued)

Interest rate risk

Goodman Group adopts a policy that at all times interest rates on between 60% and 100% of the Group's external borrowings and derivatives (by principal) are hedged for the next 12 months. The Consolidated Entity's interest rate risk arises from floating interest rates on related party loans (receivable and payable) and from the floating interest rate legs of certain CCIRS. The Consolidated Entity does not hedge its interest rate exposure on related party loans but has entered into interest rate swaps (IRS) to manage certain cash flow risks associated with floating interest rates on its CCIRS.

As at 30 June 2020, the Consolidated Entity's fixed and floating rate exposure (by principal) arising from its derivative financial instruments is set out below:

	Impact of derivatives		Net position A\$M
	CCIRS A\$M	IRS A\$M	
30 June 2020			
Fixed rate liabilities	–	326.4	326.4
Floating rate – payable	807.8	(326.4)	481.4
Floating rate – receivable	(803.0)	–	(803.0)
	4.8	–	4.8

As a result of the derivative financial instruments that existed at 30 June 2020, the Consolidated Entity would have the following fixed interest rate exposure (by principal) at the end of each of the next five financial years. This assumes all derivative financial instruments mature in accordance with current contractual terms.

Number of years post balance date	2020		2019	
	Fixed interest rate (by principal) A\$M	Weighted average interest rate % per annum	Fixed interest rate (by principal) A\$M	Weighted average interest rate % per annum
1 year	360.3	(0.52)	–	–
2 years	489.6	(0.47)	–	–
3 years	489.6	(0.47)	–	–
4 years	421.8	(0.45)	–	–
5 years	163.2	(0.31)	–	–

Sensitivity analysis

Based on the Consolidated Entity's interest bearing borrowings at 30 June 2020, if interest rates on borrowings had been 100 bps per annum (2019: 100 bps per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders would have been \$11.5 million lower/higher (2019: \$6.9 million lower/higher).

Price risk

The Consolidated Entity is not exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity to fund short-term working capital, capital expenditure, investment opportunities and dividends. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, primarily through loans from related parties in Goodman Group.

The contractual maturities of financial liabilities are set out below:

	Carrying amount	Contractual cash flows	Up to 12 months	1 – 2 year(s)	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
As at 30 June 2020								
Non-derivative financial liabilities								
Trade and other payables	215.9	215.9	177.7	38.2	–	–	–	–
Contract liabilities	13.8	13.8	12.3	1.5	–	–	–	–
Lease liabilities	28.3	43.3	12.3	7.0	2.3	1.6	1.2	18.9
Loans from related parties	1,731.0	1,753.1	1,409.0	5.4	148.2	2.3	2.3	185.9
Total non-derivative financial liabilities	1,989.0	2,026.1	1,611.3	52.1	150.5	3.9	3.5	204.8
Derivative financial liabilities								
Net settled ¹ :	18.5	17.2	(0.6)	(0.3)	3.2	6.2	9.8	(1.1)
Gross settled ² :								
(Inflow)	–	(51.4)	(6.8)	(8.1)	(9.5)	(11.5)	(11.8)	(3.7)
Outflow	28.3	54.8	–	–	–	–	–	54.8
Total derivative financial liabilities	46.8	20.6	(7.4)	(8.4)	(6.3)	(5.3)	(2.0)	50.0
As at 30 June 2019								
Non-derivative financial liabilities								
Trade and other payables	271.6	271.6	222.3	49.3	–	–	–	–
Loans from related parties	1,102.4	1,132.1	857.5	5.8	6.0	6.1	137.9	118.8
Total non-derivative financial liabilities	1,374.0	1,403.7	1,079.8	55.1	6.0	6.1	137.9	118.8
Derivative financial liabilities								
Gross settled ¹ :								
(Inflow)	–	(89.8)	(13.8)	(13.2)	(13.3)	(15.0)	(14.2)	(20.3)
Outflow	6.7	94.6	–	–	–	–	0.5	94.1
Total derivative financial liabilities	6.7	4.8	(13.8)	(13.2)	(13.3)	(15.0)	(13.7)	73.8

1. Net settled includes IRS and FEC.

2. Gross settled includes CCIRS.

Notes to the consolidated financial statements

Capital management (continued)

14 Financial risk management (continued)

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised in the consolidated statement of financial position, is the carrying amount (refer to notes 7 and 17(a)).

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 stable, long-term credit rating that is a minimum of an "A" category (or equivalent) 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 were not determined to be significant and no impairment losses were recognised.

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

- + transacting with multiple derivatives counterparties that have a long-term investment grade credit rating;
- + utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer below); and
- + formal review of the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting 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 2020 and 2019.

(i) Fair value hierarchy

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

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2020				
Derivative financial assets	–	2.1	–	2.1
Investment in unlisted securities	–	–	34.3	34.3
	–	2.1	34.3	36.4
Derivative financial liabilities	–	48.9	–	48.9
	–	48.9	–	48.9
As at 30 June 2019				
Investment in unlisted securities	–	–	28.2	28.2
	–	–	28.2	28.2
Derivative financial liabilities	–	6.7	–	6.7
	–	6.7	–	6.7

There were no transfers between the levels during the year.

Notes to the consolidated financial statements

Capital management (continued)

14 Financial risk management (continued)

(ii) Valuation techniques used to derive Level 2 and Level 3 fair values

The Level 2 derivative financial instruments held by the Consolidated Entity consist of IRS, CCIRS and FEC.

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

The fair value measurement for investment in unlisted securities has been categorised as a Level 3 fair value. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities + Goodman Japan Limited	Discounted cash flows: The valuation model was determined by discounting the future cash flows expected to be generated from continuing operations. The future cash flows were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and an appropriate discount rate	<ul style="list-style-type: none"> + Assets under management of \$5.4 billion in year five + Average annual development of 83,500 square metres + Five year terminal value growth rate of 0.38% + Risk adjusted post tax discount rate of nil per annum. 	<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

	2020 \$M	2019 \$M
Carrying amount at the beginning of the year	28.2	21.5
Acquisitions	0.1	1.8
Net change in fair value – included in other comprehensive income	5.5	3.0
Effect of foreign currency translation	0.5	1.9
Carrying amount at the end of the year	34.3	28.2

15 Dividends

During the financial year, the Company declared a final dividend of 4.0 cents per share amounting to \$73.1 million. This dividend will be paid on 28 August 2020. In the prior year, the Company declared a final dividend of 5.0 cents per share amounting to \$90.7 million.

16 Share capital

(a) Ordinary shares

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

	2020	2019	2020	2019
	Number of shares		\$M	\$M
Share capital	1,828,413,236	1,813,881,995	732.6	696.6
Accumulated issue costs			(0.6)	(0.6)
Total issued capital			732.0	696.0

Details	Number of shares	Share capital \$M
Ordinary shares, issued and fully paid		
Balance at 1 July 2018	1,800,763,877	675.2
Shares issued to employees of Goodman Group ¹	13,118,118	21.4
Balance at 30 June 2019	1,813,881,995	696.6
Shares issued to employees of Goodman Group ¹	14,531,241	36.0
Balance at 30 June 2020	1,828,413,236	732.6

1. During the year, the Company issued 14,531,241 (2019: 13,118,118) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan (LTIP).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Equity settled share based payment transactions

LTIP

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

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

	Number of rights	
	2020	2019
Outstanding at the beginning of the year	21,300,216	20,633,959
Issued	5,221,335	6,628,500
Transferred from other Goodman Group entities	4,386,501	–
Vested	(5,526,953)	(3,674,423)
Forfeited	(459,663)	(2,287,820)
Outstanding at the end of the year	24,921,436	21,300,216
Exercisable at the end of the year	–	–

Notes to the consolidated financial statements

Capital management (continued) 16 Share 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 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 accumulated share based payments expense of performance rights which have vested or lapsed is transferred from the employee compensation reserve to retained earnings.

The fair value of cash settled performance rights is also recognised as an expense but with a corresponding increase in liabilities over the vesting period. The expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are expected to be met. The liability is remeasured at each reporting date and at the vesting date based on the fair value of the rights.

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

- + Operating earnings per security tranche: these rights were valued as a granted call option, using the standard Black Scholes model with a continuous dividend yield
- + Relative total shareholder return tranche: these rights were valued using a Monte Carlo model which simulated total returns for each of the ASX 100 stocks and discounted the future value of any potential future vesting performance rights to arrive at a present value. The model uses statistical analysis to forecast total returns, based on expected parameters of variance and co-variance.

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

	Rights issued on 20 Nov 2019	Rights issued on 30 Sep 2019
Fair value at measurement date (\$)	11.48	11.26
Security price (\$)	14.44	14.18
Exercise price (\$)	–	–
Expected volatility (%)	18.54	18.86
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	2.08	2.12
Average risk free rate of interest per annum (%)	0.76	0.75

Share based payment expense included in profit or loss was as follows:

	2020 \$M	2019 \$M
Share based payment expense:		
– Equity settled	29.8	18.6
– Cash settled	27.8	36.2
	57.6	54.8

At 30 June 2020, a liability of \$51.9 million (2019: \$44.9 million) was recognised in relation to cash settled performance rights.

OTHER ITEMS

17 Notes to the consolidated cash flow statement

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(a) Reconciliation of cash

Cash as at the end of the year as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated statement of financial position as follows:

	Note	2020 \$M	2019 \$M
Cash assets		357.4	212.7
Cash classified as held for sale	9	10.8	–
		368.2	212.7

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

	2020 \$M	2019 \$M
Profit for the year	329.7	403.6
Items classified as investing activities		
Net gain on disposal of investment properties	(0.2)	–
Net gain on disposal of equity accounted investments	(24.9)	(4.8)
Non-cash items		
Depreciation of plant and equipment	11.7	2.0
Share based payments expense	57.6	54.8
Net loss from fair value adjustments on investment properties	1.2	–
Share of net results of equity accounted investments	(107.0)	(221.2)
Net finance expense	35.1	33.0
Income tax expense	40.2	57.6
	343.4	325.0
Changes in assets and liabilities during the year:		
– Decrease/(increase) in receivables	253.5	(121.8)
– Increase in inventories	(123.8)	(91.6)
– (Increase)/decrease in other assets	(5.3)	2.5
– (Decrease)/increase in payables	(163.7)	90.9
– Increase/(decrease) in provisions (including employee benefits)	26.8	(0.3)
	330.9	204.7
Dividends/distributions received from equity accounted investments	77.6	52.0
Net finance costs received/(paid)	20.2	(0.2)
Net income taxes paid	(52.4)	(18.0)
Net cash provided by operating activities	376.3	238.5

Notes to the consolidated financial statements

Other items (continued)

17 Notes to the consolidated cash flow statement (continued)

(c) Reconciliation of liabilities arising from financing activities

	Derivatives used for hedging \$M	Dividends payable \$M	Loans to/ (from) related parties \$M	Lease liabilities \$M
Balance at 1 July 2018	–	90.0	474.0	–
Changes from financing cash flows				
Net proceeds from loans with related parties	–	–	78.5	–
Dividends paid	–	(90.0)	–	–
Total changes from financing cash flows	–	(90.0)	78.5	–
Effect of foreign exchange movements	–	–	26.4	–
Changes in fair value	6.7	–	–	–
Other changes				
Interest income	–	–	(3.8)	–
Interest expense	–	–	37.2	–
Dividends declared	–	90.7	–	–
Total other changes	–	90.7	33.4	–
Balance at 30 June 2019	6.7	90.7	612.3	–
Balance at 1 July 2019	6.7	90.7	612.3	34.4
Changes from financing cash flows				
Net repayments of loans with related parties	–	–	(101.0)	–
Payment of lease liabilities	–	–	–	(11.9)
Dividends paid	–	(90.7)	–	–
Total changes from financing cash flows	–	(90.7)	(101.0)	(11.9)
Changes arising from acquisition of entities from GL	19.2	–	505.1	12.9
Effect of foreign exchange movements	(0.9)	–	16.5	–
Changes in fair value	21.8	–	–	–
Other changes				
Interest income	–	–	(10.2)	–
Interest expense	–	–	44.9	0.9
Dividends declared	–	73.1	–	–
Other movements	–	–	–	(8.0)
Total other changes	–	73.1	34.7	(7.1)
Balance at 30 June 2020	46.8	73.1	1,067.6	28.3

18 Reserves

	Note	Consolidated		Company	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Asset revaluation reserve	18(a)	19.7	14.2	19.7	14.2
Foreign currency translation reserve	18(b)	33.5	48.3	–	–
Employee compensation reserve	18(c)	33.4	28.2	33.4	28.2
Defined benefits funds actuarial losses reserve	18(d)	(8.2)	–	–	–
Common control reserve ¹	18(e)	(702.9)	(538.1)	–	–
Total reserves		(624.5)	(447.4)	53.1	42.4

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	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
(a) Asset revaluation reserve				
Balance at the beginning of the year	14.2	11.2	14.2	11.2
Increase due to revaluation of other financial assets	5.5	3.0	5.5	3.0
Balance at the end of the year	19.7	14.2	19.7	14.2
(b) Foreign currency translation reserve				
Balance at the beginning of the year	48.3	46.3	–	–
Net exchange differences on conversion of foreign operations	(14.8)	2.0	–	–
Balance at the end of the year	33.5	48.3	–	–
(c) Employee compensation reserve				
Balance at the beginning of the year	28.2	21.0	28.2	21.0
Equity settled share based payment transactions	5.2	7.2	5.2	7.2
Balance at the end of the year	33.4	28.2	33.4	28.2
(d) Defined benefits funds actuarial losses reserve				
Balance at the beginning of the year	–	–	–	–
Actuarial losses on defined benefit superannuation funds	(8.2)	–	–	–
Balance at the end of the year	(8.2)	–	–	–
(e) Common control reserve				
Balance at the beginning of the year	(538.1)	(538.1)	–	–
Acquisition of entities from GL (refer to note 20)	(164.8)	–	–	–
Balance at the end of the year	(702.9)	(538.1)	–	–

Notes to the consolidated financial statements

Other items (continued)

19 Retained earnings

	Note	Consolidated		Company	
		2020 \$M	2019 \$M	2020 \$M	2019 \$M
Balance at the beginning of the year		1,034.8	726.6	253.7	229.7
Profit for the year		325.5	398.9	395.0	114.7
Dividends declared	15	(73.1)	(90.7)	(73.1)	(90.7)
Balance at the end of the year		1,287.2	1,034.8	575.6	253.7

20 Investments in subsidiaries

Subsidiaries

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

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

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

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Consolidated Entity. The class of shares held is ordinary unless otherwise stated.

Significant controlled companies	Principal activities	Country of incorporation	Interest held	
			2020 %	2019 %
Goodman Asia Limited	Investment and property management services	Hong Kong	100.0	100.0
Goodman China Limited	Property management and development management consultancy services	Hong Kong	100.0	100.0
Goodman China Asset Management Limited	Investment management	Cayman Islands	100.0	100.0
Goodman Developments Asia	Investment and property development	Cayman Islands	100.0	100.0
GELF Management (Lux) Sàrl	Investment management	Luxembourg	100.0	100.0
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	Luxembourg	100.0	100.0
Goodman Midnight Logistics (Lux) Sàrl	Investment holding company	Luxembourg	100.0	100.0
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	Luxembourg	94.0	94.0
GPO Advisory (Lux) Sàrl	Property management services	Luxembourg	100.0	100.0
Goodman UK Holdings (HK) Limited	Intermediate holding company	United Kingdom	100.0	100.0

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.

Acquisition of entities from GL

On 19 August 2019, the Consolidated Entity acquired Dollmist Limited and its subsidiaries from GL for consideration of \$4.3 million. Dollmist Limited is the holding company of a number of other entities operating in the United Kingdom, which provide investment, development and property management activities. Dollmist Limited then acquired Goodman Colnbrook (Jersey) Holdings Limited on 29 May 2020 from GL for consideration of \$23.4 million. Goodman Colnbrook (Jersey) Holdings Limited holds a development asset in the United Kingdom.

Carrying values of assets acquired and liabilities assumed

Identifiable assets and liabilities	Dollmist Limited \$M	Goodman Colnbrook (Jersey) Limited \$M
Cash	37.9	–
Inventories	303.7	94.7
Investment properties	12.5	–
Investments accounted for using the equity method	3.9	–
Receivables	29.4	–
Other assets	13.2	–
Payables	(533.0)	(99.4)
Total net liabilities acquired	(132.4)	(4.7)

Amounts transferred to common control reserve

	\$M
Total consideration transferred	27.7
Add: Carrying value of net liabilities acquired	137.1
Amount transferred to common control reserve	164.8

The amount transferred to the common control reserve represents the difference between the consideration paid and the carrying value of the net liabilities of the entity acquired.

Notes to the consolidated financial statements

Other items (continued)

21 Related party transactions

Related parties

- (i) A person, or a close member of that person's family, is related to the Company if that person:
- (1) Has control or joint control over the Company
 - (2) Has significant influence over the Company or
 - (3) Is a member of the key management personnel of the Company or the Company's parent.
- (ii) An entity is related to the Company if any of the following conditions applies:
- (1) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
 - (2) One entity is an associate or JV of the other entity (or an associate or JV of a member of a group of which the other entity is a member)
 - (3) Both entities are JVs of the same third party
 - (4) One entity is a JV of a third entity and the other entity is an associate of the third entity
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company
 - (6) The entity is controlled or jointly controlled by a person identified in (i)
 - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) or
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(a) Directors' remuneration

Directors' remuneration (including alternate directors) disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2020 \$M	2019 \$M
Directors' fees	0.6	0.6
Salaries, allowances and benefits in kind	3.8	3.7
Share based payments	13.9	14.8
	18.3	19.1

(b) Transactions and amounts due from related parties

	Management and development activities		Amounts due from related parties ¹	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M
JVs				
GCLP	67.9	58.6	20.4	34.9
KGG	41.7	52.5	–	–
	109.6	111.1	20.4	34.9
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	255.3	191.8	56.8	194.3
Goodman European Partnership	323.9	441.9	20.1	44.4
Other related parties	18.7	6.7	9.0	3.5
	597.9	640.4	85.9	242.2

1. Includes contract assets arising from transactions with related parties.

Transactions with GL

In addition to the acquisition of Dollmist Limited and its subsidiaries and Goodman Colnbrook (Jersey) Limited from GL (refer to note 20), the Consolidated Entity had other related party transactions and balances, as detailed below.

During the year, the Consolidated Entity recognised expenses of \$91.1 million (2019: \$97.4 million) for services provided by a controlled entity of GL.

(c) Financing arrangements with related parties

	Loans to related parties ¹		Loans from related parties ¹		Interest income/(expense) charged on loans to/from related parties	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
JVs	60.8	78.5	–	–	0.3	0.3
GL, GIT and their controlled entities	599.0	408.0	(1,731.0)	(1,102.4)	(35.0)	(33.7)
Related parties of GL and GIT						
Goodman European Partnership	3.6	3.6	–	–	–	–
Related parties of GL and GIT	3.6	3.6	–	–	–	–
	663.4	490.1	(1,731.0)	(1,102.4)	(34.7)	(33.4)

- 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 2020, details in respect of the principal loan balances are set out below:
 - + Loans to GL, GIT and its controlled entities amounting to \$598.9 million (2019: \$408.0 million) are interest bearing and repayable on demand. The interest bearing loans incur interest at rates ranging from 0.8% to 1.7% per annum (2019: 0.7% to 1.0% per annum)
 - + Loans from GL, GIT and their controlled entities are interest bearing and amount to \$1,731.0 million (2019: \$1,102.4 million). \$310.8 million of the loans is repayable on demand and \$1,420.2 million is repayable greater than one year from the reporting date. The interest bearing loans incur floating interest at rates ranging from 1.0% to 4.4% per annum (2019: 1.6% to 5.0% per annum)
 - + A loan of \$3.6 million (2019: \$3.6 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Partnership, and incurred interest at 6.9% per annum (2019: 6.9% per annum).

22 Commitments

At 30 June 2020, the Consolidated Entity was committed to \$251.1 million (2019: \$274.8 million) expenditure in respect of inventories and other development activities.

23 Contingencies

Capitalisation Deed Poll

GLHK, GL, GIT and certain of their wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

United States and Reg S senior notes

Under the issue of notes in the United States 144A/Reg S bond market, controlled entities of GIT had on issue USD and EUR notes amounting to US\$1,303.8 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.

Notes to the consolidated financial statements

Other items (continued)

24 Company level statement of financial position

	Note	2020 \$M	2019 \$M
Current assets			
Cash		169.5	106.0
Receivables		306.5	258.0
Total current assets		476.0	364.0
Non-current assets			
Investments in subsidiaries		1,169.1	793.5
Other financial assets		124.1	182.7
Total non-current assets		1,293.2	976.2
Total assets		1,769.2	1,340.2
Current liabilities			
Dividends payable		73.1	90.7
Total current liabilities		73.1	90.7
Non-current liabilities			
Payables		327.3	250.7
Other financial liabilities		8.1	6.7
Total non-current liabilities		335.4	257.4
Total liabilities		408.5	348.1
Net assets		1,360.7	992.1
Equity attributable to Shareholders			
Share capital		732.0	696.0
Reserves	18	53.1	42.4
Retained earnings	19	575.6	253.7
Total equity attributable to Shareholders		1,360.7	992.1

The Company level statement of financial position was approved and authorised for issue by the board of directors on 13 August 2020.



Ian Douglas Ferrier, AM
Director



David Jeremy Collins
Director

25 Subsequent events

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

Securities information

Top 20 Securityholders As at 26 August 2020	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	670,060,442	36.65
2. J P Morgan Nominees Australia Limited	571,388,896	31.25
3. Citicorp Nominees Pty Limited	179,918,145	9.84
4. National Nominees Limited	75,849,497	4.15
5. BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	60,218,933	3.29
6. BNP Paribas Noms Pty Ltd <DRP>	37,845,045	2.07
7. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	33,312,954	1.82
8. Trison Investments Pty Ltd	16,874,053	0.92
9. Beeside Pty Limited <The Beeside A/C>	13,192,040	0.72
10. Australian Foundation Investment Company Limited	6,685,000	0.37
11. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	4,442,239	0.24
12. BNP Paribas Noms (NZ) LTD <DRP>	4,270,200	0.23
13. UBS Nominees Pty Ltd	4,179,793	0.23
14. HSBC Custody Nominees (Australia) Limited – GSCO ECA	3,988,844	0.22
15. HSBC Custody Nominees (Australia) Limited	3,083,279	0.17
16. AMP Life Limited	2,661,539	0.15
17. Custodial Services Limited <Beneficiaries Holding A/C>	2,383,741	0.13
18. DPCON BVBA/C	2,103,548	0.12
19. BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	1,783,081	0.10
20. Milton Corporation Limited	1,690,376	0.09
Securities held by top 20 Securityholders	1,695,931,645	92.73
Balance of securities held	132,481,591	7.27
Total issued securities	1,828,413,236	100.00

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1 – 1,000	17,366	7,258,490	0.40
1,001 – 5,000	14,999	35,611,038	1.95
5,001 – 10,000	3,031	21,529,287	1.18
10,001 – 100,000	1,696	36,193,222	1.98
100,001 – over	89	1,727,821,199	94.50
Total	37,181	1,828,413,236	100.00

There were 643 Securityholders with less than a marketable parcel in relation to 2,800 securities as at 26 August 2020.

Substantial Securityholders ¹	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
Vanguard Group Inc.	165,056,520
Blackrock Investment Management Limited	117,053,786

1. In accordance with latest Substantial Securityholder Notices as at 26 August 2020.

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).

On-market buy-back There is no current on-market buy-back.

Glossary

AASB Australian Accounting Standards Board.

ASX Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

AUM Assets under management: total value of properties directly held or under management.

CPPIB Canada Pension Plan Investment Board.

Cps Cents per security.

Cpu Cents per unit.

DPS Distribution per security. Total distributions to investors divided by the number of securities outstanding.

EBIT Operating profit before net finance expense and income tax.

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.

GFM Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621).

GHKLP Goodman Hong Kong Logistics Fund, an unlisted property investment vehicle specialising in the investment of industrial property in Hong Kong.

GIT Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities or GFM as Responsible Entity for GIT, where the context requires.

GJCP Goodman Japan Core Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Japan.

GJDP Goodman Japan Development Partnership, a logistics and industrial partnership specialising in the development of industrial property in Japan.

GL Goodman Limited (ABN 69 000 123 071) and where the context requires, its controlled entities.

GMT Goodman Property Trust, a listed property trust on the NZX managed by GMG.

GNAP Goodman North America Partnership, a logistics and industrial partnership specialising in the investment of industrial property in North America.

GLHK Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149) and where the context requires, its controlled entities.

Goodman Group or **GMG** Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

GUKP Goodman United Kingdom Partnership

KGIP KWASA-Goodman Industrial Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

KGG KWASA-Goodman Germany, an unlisted property trust specialising in the investment of industrial property in Germany.

LTI Long term incentive.

LTIP Long Term Incentive Plan.

NAV Net asset value: the value of total assets less liabilities. For this purpose, liabilities include both current and long-term liabilities. To calculate the net asset value per ordinary security, divide the net asset value by the number of securities on issue.

NZX New Zealand Exchange Limited or New Zealand Exchange being the equity security market operated by it, as the case requires.

Responsible Entity Responsible Entity means a public company that holds an Australian Financial Services Licence (“AFSL”) authorising it to operate a managed investment scheme. In respect of GIT, the Responsible Entity is GFM, a wholly-owned subsidiary of GL.

S&P Standard & Poor’s: an independent rating agency that provides evaluation of securities investments and credit risk.

Securityholder A holder of a Stapled Security.

Shareholder A shareholder of GL and/or GLHK.

Sqm Square metres.

Sq ft Square feet.

Stapled The linking together of a GIT unit, a GL share and a 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.

STI Short term incentive.

Substantial Securityholder A person or company that holds at least 5% of Goodman Group’s voting rights.

TSR Total securityholder return.

Unitholder A unitholder of GIT.

Corporate directory

Goodman Group

Goodman Limited

ABN 69 000 123 071

Goodman Industrial Trust

ARSN 091 213 839

Responsible Entity of Goodman Industrial Trust

Goodman Funds Management Limited

ABN 48 067 796 641

AFSL Number 223621

Goodman Logistics (HK) Limited

Company No. 1700359

ARBN 155 911 149

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Auckland	Hong Kong	Paris
Beijing	Kraków	Poznań
Birmingham	London	Prague
Brisbane	Los Angeles	São Paulo
Brussels	Luxembourg	Shanghai
Budapest	Madrid	Sydney
Chengdu	Melbourne	Tokyo
Düsseldorf	Milan	Warsaw

Directors

Goodman Limited and Goodman Funds Management Limited

Ian Ferrier AM

Independent Chairman

Greg Goodman

Group Chief Executive Officer

Chris Green

Independent Director

Stephen Johns

Independent Director

Mark G Johnson

Independent Director

Rebecca McGrath

Independent Director

Danny Peeters

Executive Director

Phillip Pryke

Independent Director

Anthony Rozic

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Goodman Logistics (HK) Limited

Ian Ferrier AM

Independent Chairman

David Collins

Independent Director

Danny Peeters

Executive Director

Company Secretary

Goodman Secretarial Asia Limited

Disclaimer: This document has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071), Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839) and Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149)). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate. This document is not an offer or invitation for subscription or purchase of securities or other financial products. It does not constitute an offer of securities in the United States. Securities may not be offered or sold in the United States unless they are registered under the US Securities Act of 1933 or an exemption from registration is available. This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention have been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Goodman Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. All values are expressed in Australian currency unless otherwise stated. September 2020.

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