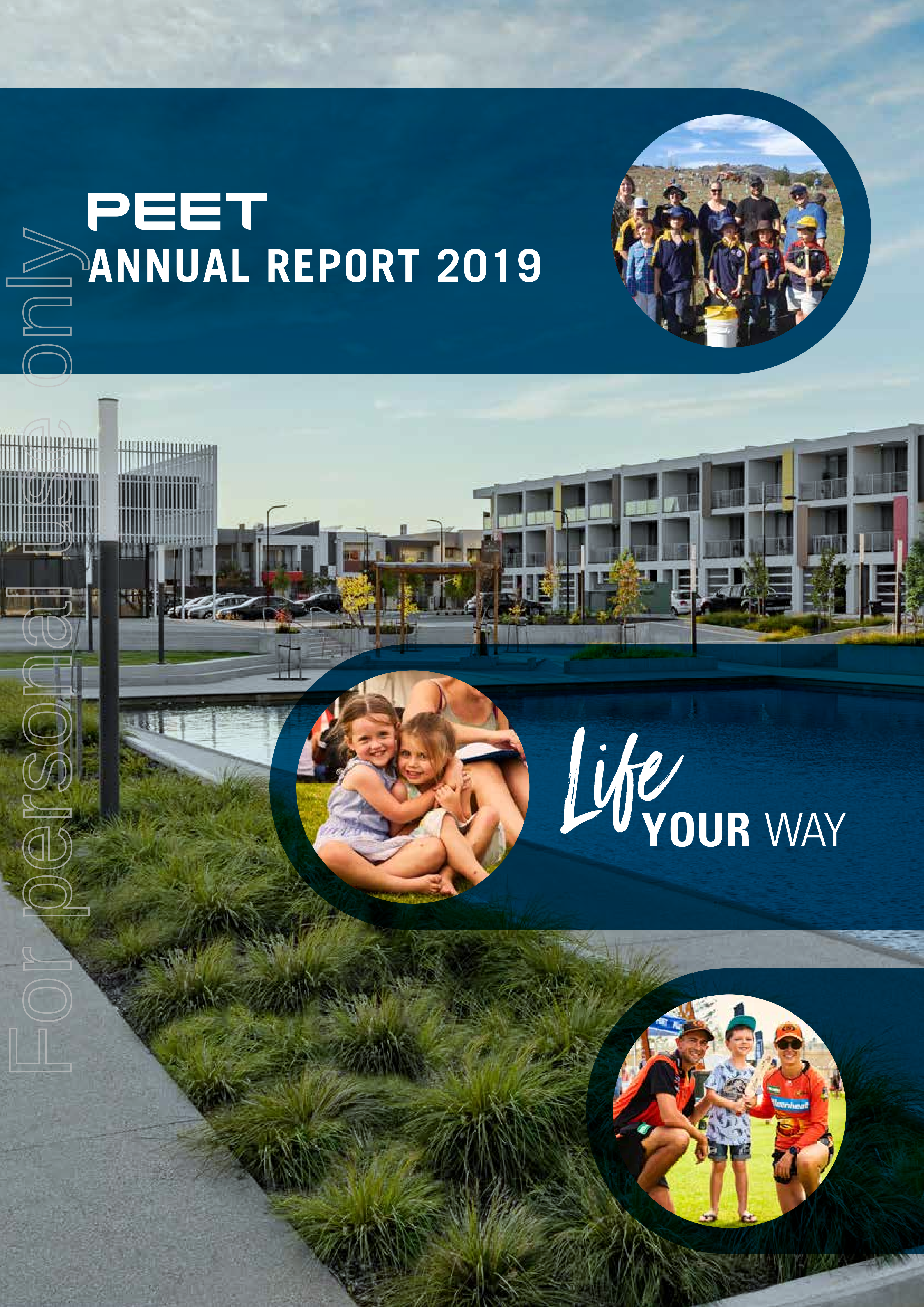


PEET

ANNUAL REPORT 2019

Life YOUR WAY

CONTENTS

About Peet	2
What we do	3
How we do it	4
FY19 Performance at a Glance	6
Financial	6
Operational	7
Future proofing	7
Business Model	8
Our Strategy	9
National Reach	11
Global Trends Shaping our Strategy	12
Chairman's Review	14
Managing Director and CEO's Review	16
Operational and Financial Review	
Fund Management Projects	20
Joint Ventures	22
Development Projects	24
Living Sustainably. Environment Social and Innovation	26
Corporate Calendar FY2020	30
Financials	32

Image: Shorehaven Alkimos (WA)

PEET

Peet is one of Australia's leading residential real estate developers, creating places to live for thousands of Australians each year.

About PEET

Peet is one of Australia's leading residential real estate developers, creating places to live for thousands of Australians every year. Listed on the Australian Stock Exchange (ASX) since 2004, Peet develops masterplanned communities, medium density housing and low-rise apartments in the major growth corridors in every mainland state in Australia.

Established in 1895 by founder James Thomas Peet with a vision for Australians to build or buy their own home, Peet has enabled thousands of Australians achieve their ownership dreams.

With strong roots in Western Australia and a presence that now reaches across the country, Peet has played a key role in shaping and enhancing the urbanisation of cities by creating desirable communities with a strong commitment to affordability.

Image: Bluestone, Mt Barker (SA)

WHAT WE DO

Peet acquires, develops and markets residential land in Australia. Currently, Peet manages a broad property portfolio of more than 49,000 lots with a gross development value of approximately $14.5 billion across 48 projects, making Peet Australia's largest 'pure play' residential property developer.

For 125 years, Peet has continuously evolved its business with a focus on providing choice for Australians. Historically, the company has been a residential land developer, replenishing its land bank in a disciplined manner, including using its unique and capital-lite funds management platform. Bolstered by its deep knowledge of the industry, Peet broadened its geographic scope resulting in a portfolio with national reach and a product mix of land, completed homes, medium density townhouses and low-rise apartments, in response to the changing lifestyles sought by Australians. Peet's range of product type appeals across buyer segments whilst maintaining a core focus on first homebuyers.

Peet prides itself on not only creating houses, but communities. Investing in infrastructure is key – from amenities such as parks, shopping centres and schools to installation works of public art, Peet develops communities that offer residents a safe, secure and convenient lifestyle and great places to live.

Peet harnesses its deep experience and knowledge of Australia's real estate markets to create long-term shareholder value by effectively managing the development and sale of land, houses, townhouses and apartments across the country's cycles.

The Peet team comprises committed and engaged individuals who work with specialist consultants to deliver projects ranging from boutique townhouses to substantial urban renewal and master-planned communities.

Peet's brand ethos is *Life Your Way*. This means we have a commitment to creating places that enable Australians to buy a new home in a new community that suits the lifestyle and needs of their family. Our financial results section provides an overview of our performance during the 2019 financial year (FY19).

HOW WE DO IT
Our values

Image: Avon Ridge, Brigadoon (WA)

Integrity

WE act with high integrity through open, honest and professional conduct.

Teamwork

WE recognise the strength of working together, encourage the development of people and the sharing of knowledge.

Accountability

WE respect the responsibility invested in us and have ownership and the freedom to act to deliver constant improvements.

Adaptability

WE embrace change and foster creativity, initiative, innovation and embrace progressive thinking.

Respect

WE treat our team, customers and the environment with respect, dignity and equality.

Customer service

WE strive to deliver a high standard of prompt, efficient and courteous service to our customers, both internal and external.

FY19 PERFORMANCE *at a glance*

Financial

Operating[1] and statutory[2] profit after tax

$47.5 million

EBITDA[3]

$86 million

EBITDA[3] margin of

33%

EARNINGS PER SHARE OF **9.8 CENTS** PER SHARE

DIVIDEND OF **5 CENTS** PER SHARE, FULLY FRANKED

BOOK NTA PER SECURITY $1.20

GEARING[4] OF 24.6%

1 Operating profit is a non-IFRS measure that is determined to present the ongoing activities of the Group in a way that reflects its operating performance. Operating profit excludes unrealised fair value gains/(losses) arising from the effect of revaluing assets and liabilities and adjustments for realised transactions outside the core ongoing business activities.

2 Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.

3 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

4 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

Image: The Village at Wellard (WA)

Operational

1,629
lots sold[5] at a value of
$336 million

2,629
LOTS SETTLED[5]

c.65%
of land bank under development

4
MEDIUM DENSITY
+1
BROADACRE PROJECT ACQUIRED

FOUR NEW PROJECTS COMMENCED SALES / DEVELOPMENT

1
NEW WHOLESALE FUND ESTABLISHED

1,257
CONTRACTS ON HAND[5]

Future proofing

Land bank of 49,413 lots[5]

Land Bank of $14.5 billion gross development value

48 projects nationally

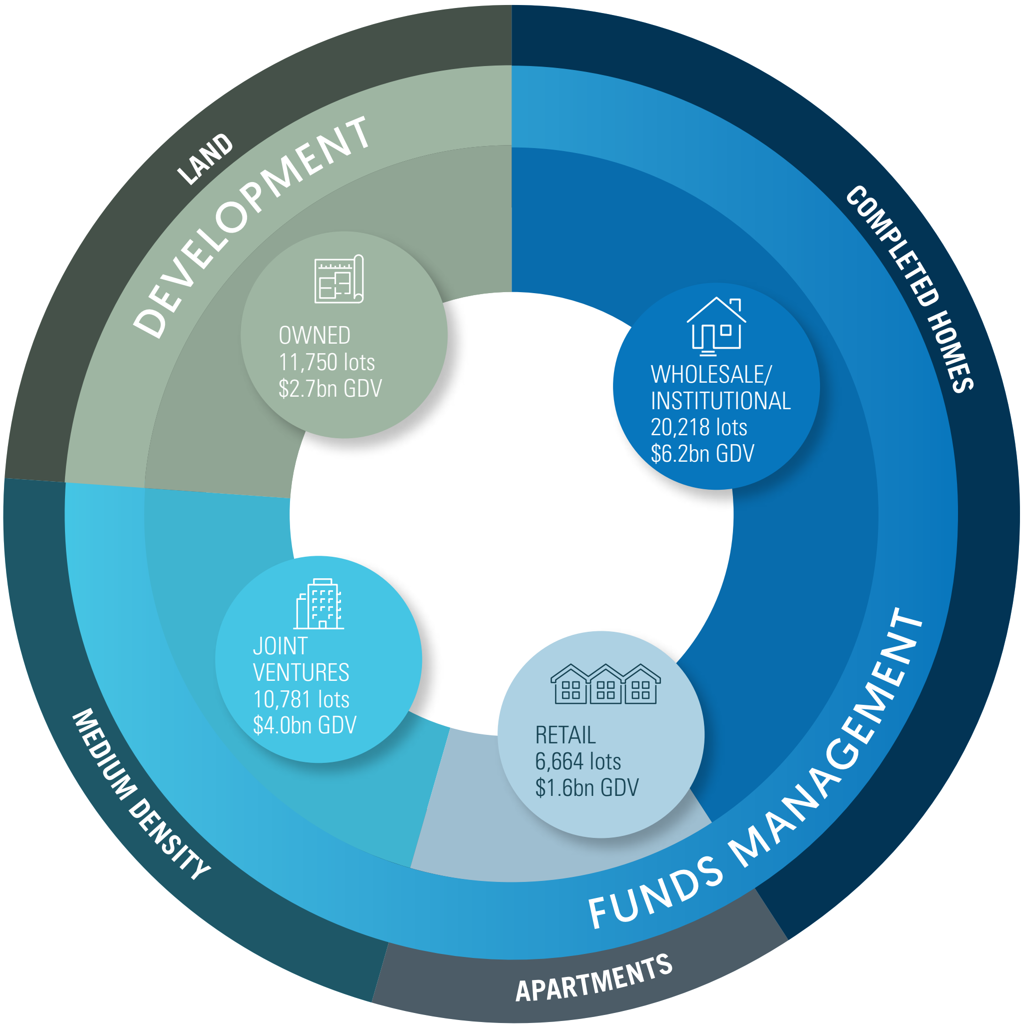
In every mainland state and territory in Australia

5 Includes equivalent lots.

BUSINESS *Model*

A unique funding model is one of Peet's key differentiators. It funds development through a combination of Company-owned Development projects, Funds Management projects and Joint Ventures, resulting in a capital-lite business model. Peet pioneered retail land syndication in Australia and its Funds Management and Joint Ventures businesses manage some 30 projects, providing opportunities for investors ranging from mums and dads to institutional and wholesale investors to participate in land development projects.

Peet's Funds Management and Joint Ventures contributed approximately 40% of the Group's EBITDA[6] in FY19.



6 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

Image: Lightsview Apartments (SA)

Our STRATEGY

Peet's strategy is to target the delivery of residential communities around Australia by leveraging its land bank, working in partnership with wholesale, institutional and retail investors, and continuing to meet market demand for a mix of products in growth corridors of major Australian cities. We also take a strategic approach to land acquisition, and our geographically diversified portfolio means we are well positioned to leverage different property cycles.

PEET'S STRATEGY FOCUSES ON **FOUR KEY PILLARS**

INVEST	Invest in high quality land in strategic locations across the country
ENHANCE	Enhance, plan and create communities and homes targeting the low to middle market segment
EXPAND	Expand product offering and geographic presence to appeal to a wider variety of customers
MAINTAIN	Maintain strong capital management

Image: Shorehaven Alkimos (WA)

NATIONAL *Reach*

49,413 LOTS[7]

$14.5bn GROSS DEVELOPMENT VALUE

48 PROJECTS NATIONALLY

7 Includes equivalent lots.

GLOBAL TRENDS *shaping our strategy*

URBANISATION

The percentage of people living in urban areas is expected to increase from 55% to 68% by 2050, according to the World Urbanization Project, United Nations. With developments in Australia's growth corridors, Peet is perfectly positioned to benefit from this trend.

Image: Acacia Townhouses, Botanic Ridge (VIC)

POPULATION GROWTH

According to the Australian Bureau of Statistics (ABS), Australia's population grew 1.6% from 2017 to 2018. World Bank data ranks Australia fifth among OECD members for population growth. Peet's large residential portfolio will provide places needed for Australians to create homes.

Image: Newhaven Tarneit (VIC)

AGEING POPULATION

As Australia's population ages, their housing needs change as they look to downsize. Peet has recently expanded its product range to include completed homes, townhouses and low-rise apartments.

Image: Lightsview (SA)

PROPERTY AS AN ASSET CLASS

Australian property has, historically, provided stable returns for investors. Peet's Funds Management business offers retail and wholesale investors an opportunity to invest in Australia's land development market.

Image: Googong (NSW)

Chairman's REVIEW

Dear Shareholders,

I am pleased to present Peet's Annual Report for the year ended 30 June 2019.

Peet has a long history of creating communities in Australia. As the country's largest 'pure play' residential property developer, Peet has traditionally focused on replenishing its land bank in a disciplined manner, predominantly under its fund management platform, in core markets across Australia, including Victoria, Queensland, South Australia, New South Wales and Western Australia, taking advantage of opportunistic acquisitions.

In recent years, the Group has evolved and broadened its capabilities to offer a greater variety of products in every mainland state and territory, appealing to a wider selection of home-buyers and creating more flexibility for Peet to actively manage market cycles. This year, Peet continued this evolution and with almost 50,000 lots[8] across 48 projects, is well placed to benefit from a recovery in the residential property market.

FY19 was challenging for the Group, with varying conditions across Australia's residential property sector. Consumer uncertainty, state and federal elections, restrictive lending conditions and the general economic and regulatory environment resulted in reduced consumer confidence and a more moderate real estate market.

With a moderating residential market backdrop, our Group focused on the elements within its control; active portfolio management and executing on our strategic priorities to deliver a sound performance for FY19. As a result, we achieved an operating[9] and statutory[10] profit for the year of $47.5 million, we maintained a strong EBITDA[11] margin and gearing[12] remains within our target range.

The Group continued its focus on prudent capital management throughout the year. Our disciplined and proactive approach to capital management gives us the financial strength to make the most of market opportunities that may arise.

During the year, the Group raised $75 million from the issue of senior unsecured notes via the wholesale debt market and as at 30 June 2019, the Group had net interest-bearing debt (including Peet Bonds) of $211.6 million, compared with $140.5 million at 30 June 2018 and gearing[12] of 24.6%, being maintained within our target range of 20% – 30%.

Given the Company's strong balance sheet and its share price trading at or below its NTA at the time, we commenced an on-market share buyback in August 2018 for up to 5% of Peet's issued ordinary shares over 12 months. In August 2019, we extended the buyback for an additional 12 months.

STRATEGY

We made significant progress against our strategy to deliver quality residential communities around Australia through four key pillars:

- Invest in quality land
- Enhance, plan and create communities
- Expand our product offering
- Maintain strong capital management

On Behalf of the Board, I am pleased to present Peet Limited's 2019 Annual Report and outline our strategy to deliver quality residential communities around Australia.

8 Includes equivalent lots.
9 Operating profit is a non-IFRS measure that is determined to present the ongoing activities of the Group in a way that reflects its operating performance. Operating profit excludes unrealised fair value gains/(losses) arising from the effect of revaluing assets and liabilities and adjustments for realised transactions outside the core ongoing business activities.
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12 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

We aim to secure land predominantly through our Funds Management platform using capital raised from a combination of wholesale, institutional and retail investors. This capital-lite model, developed over many years, provides us with a distinct competitive advantage given the challenge it would be to replicate this component of our business model.

In response to changing customer needs, we have expanded our market reach by continuing to broaden our product offering to homebuyers and investors over recent years. Now, in addition to developing and selling vacant land, we offer completed homes, medium density townhouses and low-rise apartments, diversifying our products and appealing to more customers.

Peet has always targeted the low and middle market segments, in line with our founder's vision to enable Australians to achieve home ownership. We continue to uphold this reputation for delivering value-driven, affordable, high quality land and homes.

DIVIDENDS

The Board was pleased to declare a final FY19 dividend of 3.0 cents per share, full franked. This brings the total dividend for FY19 to 5.0 cents per share, fully franked and in line with the FY18 dividend.

CONCLUSION

The Peet Group's fundamental strengths and strategic approach to land acquisition, our geographically diversified land bank and strong balance sheet, means we are well positioned to manage through the current challenging property market conditions.

I take this opportunity to thank my fellow Board members for their work during the year, and on their behalf, thank Managing Director and CEO Brendan Gore and his team for their enthusiasm and dedication to the evolution of our business as well their leadership of Peet's values and culture that underpin our success.

On behalf of the Board, thank you to our loyal shareholders for your continued support of the company. We look forward to continuing to create residential communities across the country, adding value for current and future residents, employees, our investment partners, other stakeholders and you.

Tony Lennon
Chairman

Managing Director and CEO's REVIEW

Dear Shareholders,

Despite the moderation we have seen in residential property markets, Peet has delivered sound results in line with expectations. This underlines the strength of our strategic approach and of our diverse landbank and the Group's ability to leverage opportunities in different markets and manage through market cycles.

MARKET INSIGHT

Australia's property markets were varied during the year and they were all impacted by restrictive lending conditions.

While Victoria's strong economic growth and significant Government investment in infrastructure is expected to underpin demand for homes in the long-term, our FY19 sales were impacted by a moderating market and restrictive lending conditions.

Migration to Queensland is strong and above the 10-year average with modest price growth in both house and land, however our sales were impacted by restrictive lending conditions.

The Western Australian market remains challenging, impacting sales volumes during the year. While established market metrics remain soft, sales and prices are generally stable, albeit at lower levels.

Growth in employment and wages in the Australian Capital Territory are supporting a steady market, though sales volumes are down due to restrictive lending conditions. Sales volumes and prices are steady in South Australia and we expect continued Government investment in defence and shipbuilding to support a population increase in South Australia.

FY19 PERFORMANCE

The Peet Group achieved an operating[13] profit and statutory[14] profit after tax of $47.5 million for FY19, which represents a decrease of 3.2% on FY18 and earnings per share of 9.8 cents, down 2% on FY18. This solid result was underpinned by strong settlements from several key projects, partly offset by lower sales impacted by the broader market conditions around the country, associated with restrictive lending conditions, a moderating Victorian market and a subdued Western Australian housing market.

The Group achieved 1,629 sales[15] with a gross value of $359.7 million and 2,629 settlements[15], with a gross value of $641.4 million for the full year across its Funds Management, Development and Joint Venture projects. This represents a 45% and 10% decrease, respectively, compared with FY18.

Peet delivered FY19 EBITDA[16] of $86 million compared to $101.3 million in FY18 and despite the lower sales activity, maintained a strong EBITDA[16] margin of 33%, compared with 34% in FY18, which can be attributed to solid settlements from our low cost Victorian Development projects, a continued focus on cost management across the portfolio of projects and implementing efficiencies across the business.

Contracts on hand[15] at 30 June 2019 decreased 44% to 1,257 lots (compared to 30 June 2018), with a value of $336 million (FY18: $616 million) due to lower sales activity. The lower contracts on hand as a result of lower sales activity is expected to impact settlements in FY20.

13 Operating profit is a non-IFRS measure that is determined to present the ongoing activities of the Group in a way that reflects its operating performance. Operating profit excludes unrealised fair value gains/(losses) arising from the effect of revaluing assets and liabilities and adjustments for realised transactions outside the core ongoing business activities.
14 Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.
15 Includes equivalent lots.
16 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

ACHIEVEMENTS AGAINST OUR STRATEGY

We continue to make progress against our strategy:

Invest in quality land in strategic locations across the country

Peet has a geographically diverse portfolio of 48 projects comprising approximately 49,400 lots[17] with a gross development value of $14.5 billion located in growth corridors of every mainland state and territory of Australia.

We have strategically targeted opportunities across QLD, SA and WA over the past 3 years ensuring a strong market position in affordable markets with a low cost base; and avoided acquiring broadacre land across Melbourne and Sydney during this time.

Since FY12, more than 90% of lot acquisitions have been on capital-efficient terms, including the establishment of a new wholesale fund to acquire an 80-hectare property in Perth's northern coastal corridor where we have approval to develop 1,100 lots.

Enhance, plan and create communities and homes targeting the lower to middle market segment

Four new projects commenced sales in 2019, bringing 65% of our land bank under development. We expect up to seven new land projects and five medium density townhouse sites to commence development within the next two years and 80% of our land bank to be under development in the next three years.

Strong relationships with government, investors and other industry stakeholders form the basis of our Funds Management and Joint Ventures businesses. During the year, Peet Flagstone City Pty Limited (50% owned by Peet) entered an infrastructure agreement to fund more than $1.2 billion of essential infrastructure including roads and water supply for Greater Flagstone, which will underpin development of the Flagstone community.

Expand our product offering and geographic presence

We continued to extend our market reach by broadening our offering in Completed Homes, Medium Density Townhouses and low-rise Apartments, in response to changing customer demands, acquiring four medium density projects during the year.

Peet continued to transition to a solid delivery phase, with settlements of Completed Homes and Medium Density product up 42% on last year.

Maintain strong capital management

We continued to maintain a strong focus on capital management throughout the year.

During the year, the Group raised $75 million from the issue of senior unsecured notes via the wholesale debt market, which together with the extension of its existing senior debt facility, increased the tenor of the Group's debt maturity profile.

At 30 June 2019, the Group had net interest-bearing debt (including Peet Bonds) of $211.6 million, compared with $140.5 million at 30 June 2018. Approximately, 91% of the Group's interest-bearing debt was hedged as at 30 June 2019, which is the same as at 30 June 2018.

Peet's balance sheet remains strong, including cash and debt facility headroom of $156.1 million as at 30 June 2019, a weighted average debt maturity of over three years and gearing[18] of 24.6% (up from 19.0% at 30 June 2018).

17 Includes equivalent lots.
18 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

Outlook

The Peet Group enters FY20 with a strong balance sheet, low gearing and a residential development pipeline well positioned for sustainable long-term growth.

While the residential sector continues to be impacted by restrictive lending conditions, recent macro-economic announcements including the approval of cuts in income tax rates following the Federal election in May 2019, reduction in interest rates and APRA's announcement of changes to its residential mortgage lending guidelines would prove positive in an improved market.

Despite a general improvement in enquiry from potential buyers of the Group's products, we expect the market to take some time to normalise, with steady employment growth, record low interest rates and high investment in infrastructure by Government offset by the broad uncertainty driven by reduced credit availability, weak consumer sentiment and low wages growth.

We remain cautious about the timing of recovery in the residential market and therefore expect a challenging year ahead. The lower contracts on hand as at 30 June 2019 will impact settlements in FY20 and result in earnings being heavily weighted towards the second half of the year.

However, our strong pipeline of projects and the underlying fundamentals of the residential property sector, means that Peet is well positioned to deliver supply to the market as demand improves and lending conditions normalise.

I thank Chairman Tony Lennon and our Board for their contributions during the year and for their continued insight and knowledge. Thanks also to Peet's management team and staff for their considerable efforts during the year and who embody Peet's values and culture.

Lastly, thank you to our loyal shareholders who continue to support Peet. I look forward to updating you on our progress during the year.

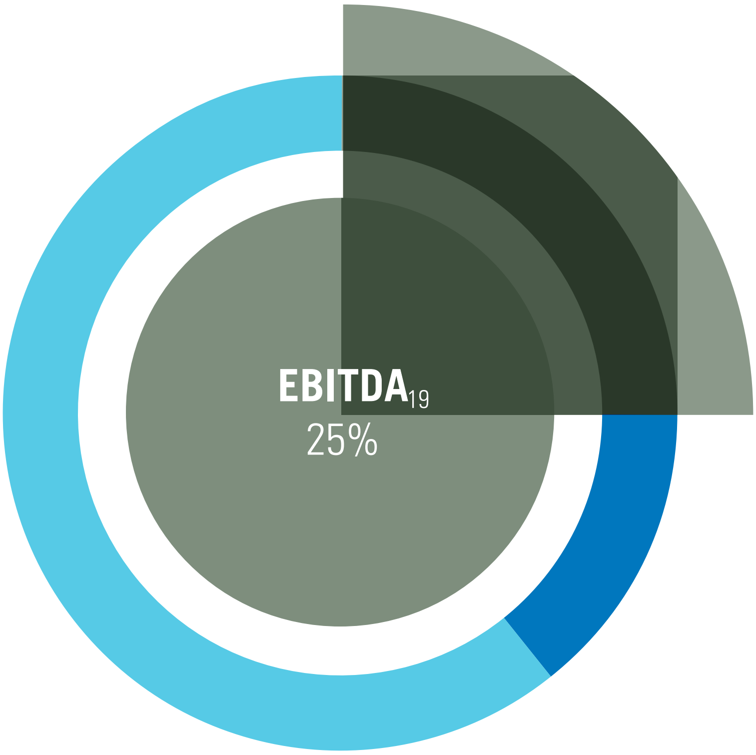
Brendan Gore
Managing Director and Chief Executive Officer

Image: Lightsview (SA)

Our focus on our strategic pillars means we have delivered a sound financial result and are well positioned for a residential market recovery.

FUNDS MANAGEMENT *projects*

The Peet group manages a number of projects on behalf of land syndicates using funds raised from a combination of wholesale, institutional and retail investors. It also manages projects under project management and co-investment arrangements. This provides Peet a capital-lite profit source which is difficult to replicate while also providing long term earnings visibility.



Comprised **54%** OF GROUP'S LAND BANK

26,882 lots[20]

GDV[21]
$7.8 billion

19 EBITDA is a non-IFRS that includes affects of non-cash movements in investments in associates.
20 Includes equivalent lots.
21 Gross Development Value.

LOTS SOLD[22]

FY19
909
value of
$193.8 million

FY18
1,782
value of
$370.0 million

LOTS SETTLED[22]

FY19
1,535
Gross value of
$355.2 million

FY18
1,796
Gross value of
$352.6million

CONTRACTS ON HAND[22]

FY19
685
Total value of
$149.0 million

FY18
1,311
Total value of
$310.8 million

EBITDA[23]

FY19
$24.4
million

FY18
$28.3
million

EBITDA MARGIN[23]

FY19
71%

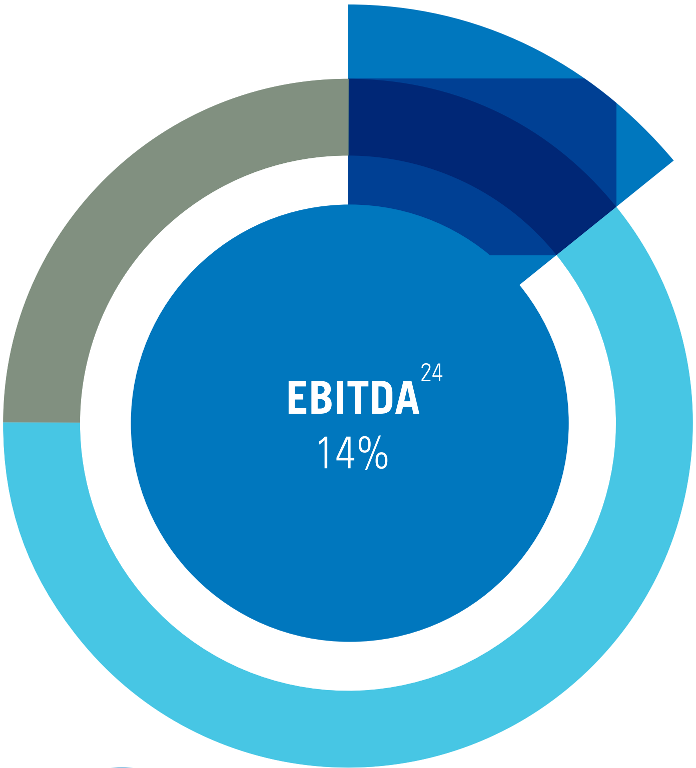
FY18
70%

Image: Yanchep Golf Estate (WA)

22 Includes equivalent lots.
23 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates.

JOINT *ventures*

The Peet Group has a number of high-profile joint venture projects, which are generally entered into on a 50/50 basis with Governments, statutory authorities, private land owners or partner developers.



Comprised
22%
OF GROUP'S LAND BANK

10,781 lots[25]

GDV[26]
$4.0 billion

24 EBITDA is a non-IFRS that includes non-cash movements in investments in Joint Ventures.
25 Includes equivalent lots.
26 Gross Development Value.

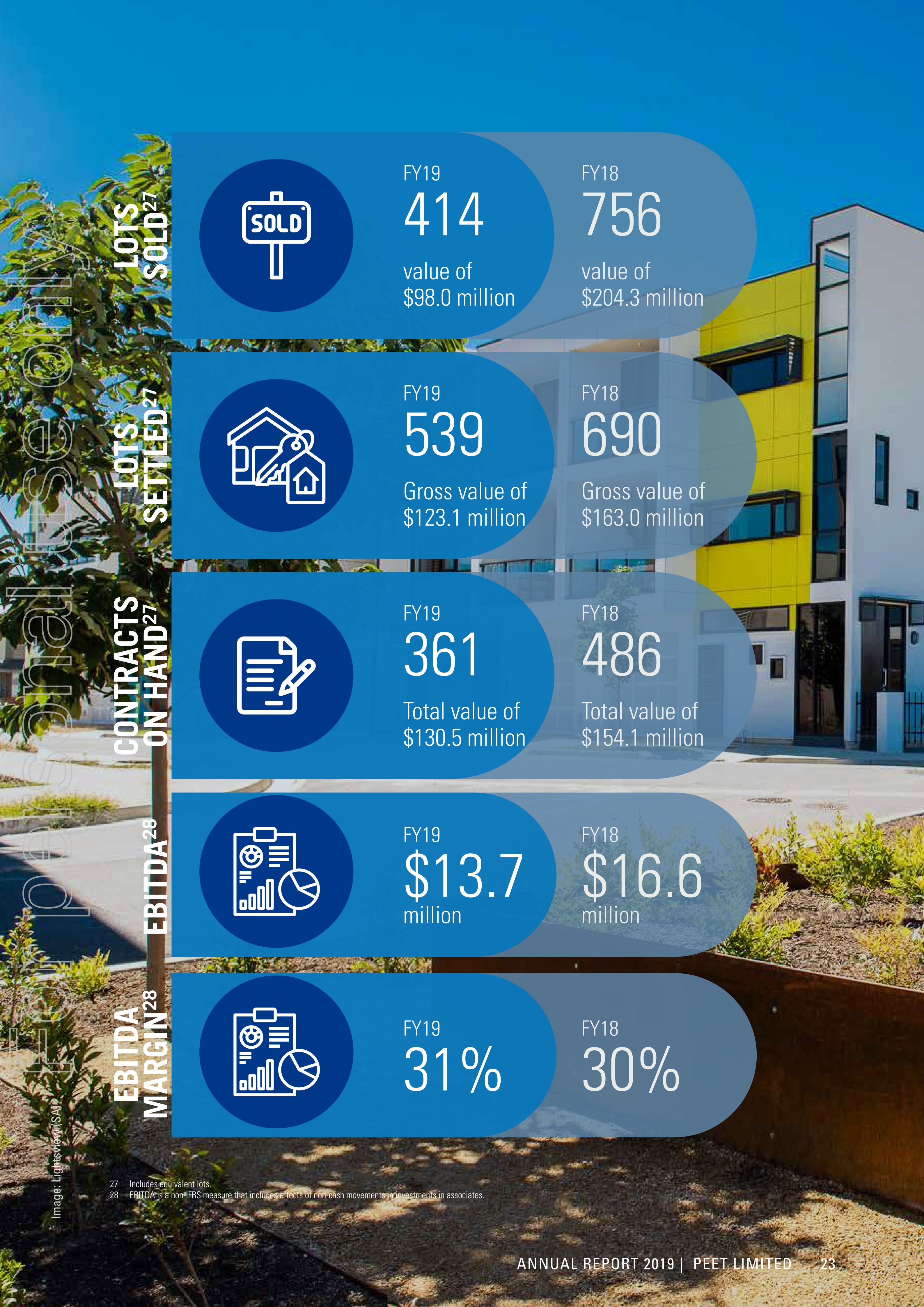


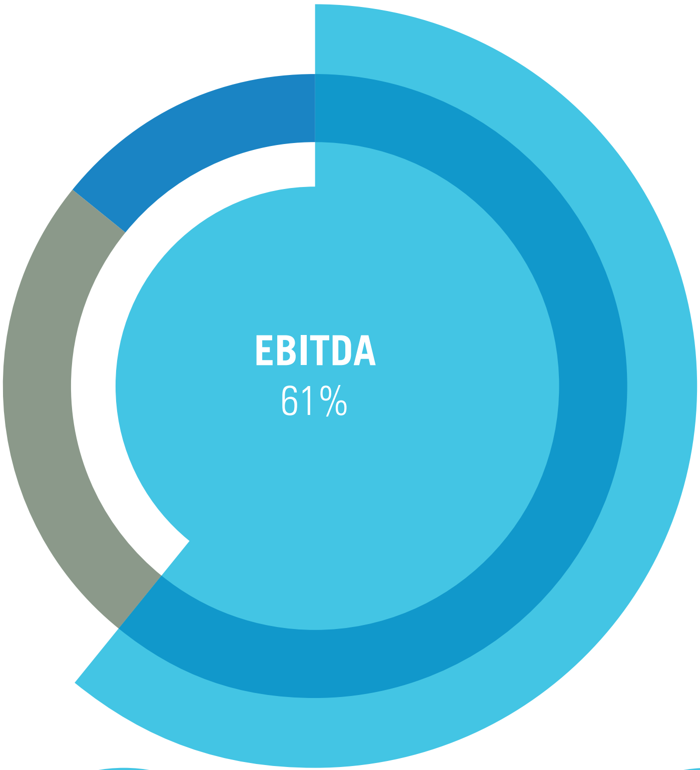
Image: Lightsview (SA)

	FY19	FY18
LOTS SOLD[27]	414 value of $98.0 million	756 value of $204.3 million
LOTS SETTLED[27]	539 Gross value of $123.1 million	690 Gross value of $163.0 million
CONTRACTS ON HAND[27]	361 Total value of $130.5 million	486 Total value of $154.1 million
EBITDA[28]	$13.7 million	$16.6 million
EBITDA MARGIN[28]	31%	30%

27 Includes equivalent lots.
28 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates.

DEVELOPMENT *projects*

Peet's Development projects are 100% owned by Peet and held on its balance sheet. 100% of returns are collected upon development, sale and settlement of these projects, generating solid margins.



Comprised
24%
OF GROUP'S LAND BANK

11,750 lots[29]

GDV[30]
$2.7 billion

28 Includes equivalent lots.
29 Gross Development Value.

LOTS SOLD[31]

	FY19	FY18
Lots sold	306	412
	value of $67.9 million	value of $140.2 million

LOTS SETTLED[31]

	FY19	FY18
Lots settled	555	438
	Gross value of $163.1 million	Gross value of $195.8 million

CONTRACTS ON HAND[31]

	FY19	FY18
Contracts on hand	211	460
	Total value of $56.0 million	Total value of $151.0 million

EBITDA

	FY19	FY18
EBITDA	$58.5 million	$67.2 million

EBITDA MARGIN

	FY19	FY18
EBITDA margin	32%	34%

Image: Greenlea Baldivis (WA)

31 Includes equivalent lots.

LIVING SUSTAINABLY
Environment Social and Innovation

As Australia grows, Peet provides places to build new homes. In doing so, Peet is not just creating homes but communities that become part of Australia's urban fabric for decades to come. As such, Peet focuses on planning, designing and developing communities that minimise the impact we have on the environment while looking for ways to make communities thrive.

ENVIRONMENT

LIGHTSVIEW SA WATER SENSITIVE URBAN DESIGN

In line with Peet's focus on planning, designing and developing communities that balance environmental, social and economic needs, benefits include stormwater treatment and re-use from the Salisbury Water managed aquifer recharge scheme. Treated stormwater is piped to each household and plumbed internally to toilets and for outdoor uses, including garden irrigation and car washing.

GOOGONG NSW
SMART CITY

Peet and its development partner, together with Queanbeyan-Palerang Regional Council (Council), were recently awarded a grant from the Federal Government Smart Cities Program that will establish Googong as a showcase for technology infrastructure.

The technology will help reduce everyday community service costs including waste management, utility consumption and the maintenance of amenities.

The first element of the Smart City infrastructure is already in place with the installation of a smart wind turbine and solar-powered pole, a foundation component in the new township's high-tech backbone.

The 5G ready 'smart' poles have the capability to be seamlessly fitted with network infrastructure to provide services such as free public Wifi, digital wayfinding and surveillance cameras. They will also enable Council to remotely manage key services like waste management, car park usage, irrigation, lighting, BBQs and security.

Implementation of the infrastructure sees Googong as one of the first towns in Australia to have smart technology built in from the ground up and a leader in innovative technology-based urban living.

SOCIAL

Peet designs its communities around the people who are going to live in them, offering a diverse range of housing options to suit all ages and stages of life. They are not just houses, but places to meet and play, pathways connecting friends and families, retail precincts and commercial areas with all life's conveniences, and shared community facilities that encourage diverse and healthy social connection.

PERTH SCORCHERS SPONSORSHIP

Peet supported BBL team Perth Scorchers as its Community Partner for the 2018-19 season. The partnership provided Peet with the opportunity to host Community Fan Days and Cricket Workshops to provide engaging and unique experiences for its residents, in line with Peet's vision to create connected communities and opportunities for its residents to live healthy active lifestyles. During the season, over 2,000 people from Peet communities attended fan days while thousands more engaged on social media by sharing their #ScorchersLife photos, bringing together families to support Western Australia's 20/20 cricket team.

NATIONAL COMMUNITY GRANTS PROGRAM

Peet has a proud history of supporting the community through its National Community Grants Program and corporate partnerships. Peet has continued that tradition throughout FY19 by supporting over 50 community groups and organisations around the country.

Typically, Peet supports initiatives in the following areas:

- Environmental sustainability
- Family and community-based activities
- Health and wellbeing
- Culture and the arts
- Educational opportunities / youth development programs

FLAGSTONE CITY QUEENSLAND

Flagstone is Peet's largest project and will ultimately have 12,000 homes and a CBD that will support a population of approx. 50,000 in the Greater Flagstone region. Earthworks commenced on the Coles supermarket site at the end of April 2019 that will underpin the Flagstone Village shopping centre. The development has generated approximately 200 construction jobs plus 100 operational jobs and is expected to be the catalyst for significant additional investment in the local area. Peet Flagstone City is the biggest project in the Greater Flagstone Priority Development Area, and over the next 30 years, it will provide around 12,000 homes, 330 hectares of green space and a 126-hectare CBD, with plans for a future hospital, tertiary campus and train station. Residents will be well-served by retail, commercial and hospitality options – all contributing to employment opportunities for an estimated 10,000 people.

INNOVATION

TONSLEY VILLAGE SA LEADING-EDGE TECHNOLOGY

Sustainability is a key part of what we do, and Tonsley Village incorporates leading-edge technology to deliver environmental benefits. Embedded into each street is a suite of innovative and world-leading infrastructure that will future-proof the power, water, gas and internet provision that drives environmental sustainability within the precinct. The whole of Tonsley's electrical infrastructure has been designed to run off an independent embedded network owned by Enwave which distributes green energy generated on-site and natural gas to all homes, resulting in a minimum of 30% of all power used being generated on-site. All Tonsley Village homes will also receive smart meters. The meters provide the water utility with detailed data on use to help customers better understand their water consumption.

Corporate CALENDAR FY2020

19 SEPTEMBER 2019
Record data for final FY19 dividend

7 OCTOBER 2019
Payment date of final FY19 dividend

7 OCTOBER 2019
Interest payment date for Peet Bond holders (PPCHB)

18 OCTOBER 2019
Annual Report and notice of 2019 AGM dispatched to shareholders

20 NOVEMBER 2019
2019 AGM at the InterContinental Perth City Centre Hotel, 815 Hay Street, Perth

9 DECEMBER 2019
Interest payment date for unlisted notes

16 DECEMBER 2019
Interest payment date for Peet Bond holders (PPCHA)

6 JANUARY 2020
Interest payment date for Peet Bond holders (PPCHB)

2020
Release of results for the half year ending 31 December 2019

6 APRIL 2020
Interest payment date for Peet Bond holders (PPCHB)

9 JUNE 2020
Interest payment date for unlisted notes

16 JUNE 2020
Interest payment date for Peet Bond holders (PPCHA)

Image: Shorehaven Alkimos (WA)


SHORE
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PEET
STELLA ARTOIS

FINANCIAL REPORT

30 JUNE 2019

CONTENTS

1	Directors' Report	34
2	Auditor's Independence Declaration	61
3	Corporate Governance Statement	62
4	Financial Report	64
5	Directors' Declaration	106
6	Independent Auditor's Report to the Members of Peet Limited	107
7	Securityholder Information	114
8	Corporate Directory	118

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Your Directors present their report on the Consolidated Entity consisting of Peet Limited ('the Parent Entity' or 'the Company') and the entities it controlled at the end of, or during, the financial year ended 30 June 2019 ('the Group').

01. DIRECTORS

The following persons were Directors of the Company during part or the whole of the financial year and up to the date of this report:

Tony Lennon, FAICD
Non-executive Chairman

Tony Lennon has extensive general commercial experience and particularly in the property industry.

Mr Lennon is a Fellow of the Australian Institute of Company Directors and an Associate of the Australian Property Institute. He is a World Fellow Member of The Duke of Edinburgh's International Award.

His industry service has included State Government appointed roles as Chairman of both the Perth Inner City Living Taskforce and the Residential Densities Review Taskforce. He was also a Member of the Commercial Tribunal (Commercial Tenancies).

Mr Lennon is a former President of Western Australia's Shire of Peppermint Grove and Deputy Chairman of the National Board of the Australia Day Council. He is also a former Chairman of the Curtin Aged Persons Foundation and a founding Director of the Wearne and the Riversea Hostels for the Aged, both of which are locally initiated and managed community facilities.

Brendan Gore, BComm, FCPA, FCIS, FGIA, FAICD
Managing Director and Chief Executive Officer

Brendan Gore has been Managing Director and Chief Executive Officer ("CEO") of Peet Limited since 2007 – successfully leading the company through the global financial crisis, expanding its land bank and developing key new partnerships with Government and major institutions.

Mr Gore's appointment to the position of Managing Director and CEO followed experience in two other key executive roles within the Company. He began with Peet as Chief Financial Officer and played a key role in expanding the Company's scope of activities and growing its core residential development and land syndication businesses; and in January 2007 he was appointed inaugural Chief Operating Officer.

Mr Gore's period in senior executive roles at Peet Limited was preceded by more than two decades' experience in a range of senior corporate, commercial and operational positions where he gained extensive experience in strategy development and implementation, as well as expertise in debt and equity markets.

He developed a reputation as a strong leader, with operational responsibilities across local and State Government relations, environmental and sustainability management and occupational health and safety.

Mr Gore is a qualified accountant and a Fellow of CPA Australia. He is also a Fellow of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

01. DIRECTORS (CONTINUED)

Anthony Lennon, BA, Grad Dip Bus Admin, MAICD
Non-executive Director

Anthony Lennon joined Peet in 1991 and became a Director in 1996.

He moved to Victoria to establish Peet's operations in Australia's eastern states and oversaw significant expansion.

Before joining the Company, Mr Lennon worked in the United Kingdom, where he completed his post-graduate qualification whilst working for major international construction and development company, John Laing PLC. His time with this global company saw him gain valuable experience in property planning, marketing, feasibility analysis and project management.

Mr Lennon's responsibilities during his career with Peet included project management, broadacre acquisitions, marketing and financing and a six-year term as Chairman of one of WA's largest conveyancing businesses.

Until his transition from Executive to Non-executive Director on 27 August 2012, Mr Lennon was Peet Limited's National Business Development Director.

In 2019 he became a director of Habitat for Humanity (Vic). Part of a worldwide organisation, it is a registered charity which assists low income families into affordable home ownership and out of the rental market by providing no interest mortgages.

Trevor Allen, BComm (Hons), CA, FF, FAICD
Independent Non-executive Director

Trevor Allen joined Peet in April 2012, with almost four decades of experience in the corporate and financial sectors, primarily as a corporate and financial advisor to Australian and international public and privately-owned companies.

Mr Allen is an Independent Non-executive Director of Freedom Foods Group Limited, where he chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He is also an Alternate Director, Company Secretary and Public Officer of Australian Fresh Milk Holdings Pty Ltd.

In addition, Mr Allen is a Non-executive Director of Eclipx Group Limited, where he chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He is also a non-executive director of TopCo Investments Pte Ltd, a Singapore company which is the holding company of Real Pet Food Company Limited.

Mr Allen was a Non-executive Director of Yowie Group Limited (resigned January 2018) and Brighte Capital Pty Limited (resigned June 2018).

Prior to Mr Allen's Non-executive roles, he held senior executive positions including Executive Director Corporate Finance at SBC Warburg (now part of UBS), at Baring Brothers and as a Corporate Finance Partner at KPMG. At the time of his retirement from KPMG in 2011 he was the lead partner in its National Mergers and Acquisitions group.

Vicki Krause, BJuris LLB W.Aust, GAICD
Independent Non-executive Director

Vicki Krause was appointed to the Board of Peet Limited in April 2014.

An experienced commercial lawyer, Ms Krause had a 25 year career as a senior corporate executive with the Wesfarmers Group, including seven years as its Chief Legal Counsel.

She supported successful outcomes in numerous significant acquisitions (including listed companies, trade sales and a privatisation) and divestments.

As Chief Legal Counsel and a member of the Wesfarmers Executive Committee, Ms Krause led a large legal team and was responsible for the provision of legal advice and strategic planning in relation to the management of legal risk in the Wesfarmers Group with key outputs including the evaluation and completion of major business projects and major supply arrangements.

Ms Krause has completed the PMD Management Course at Harvard Business School.

She is currently a director of Western Power and a member of its Safety Health Environment and People Committee.

01. DIRECTORS (CONTINUED)

Robert McKinnon, FCPA, FCIS, FGIA, MAICD
Independent Non-executive Director

Appointed as Non-executive Director in May 2014, Bob McKinnon has 40 years' experience in finance and general management positions in the light manufacturing and industrial sectors in Australia, New Zealand, and Canada.

He is the former Managing Director of Austal Ships and Fleetwood Corporation Limited and spent 28 years with Capral Aluminium (formerly Alcan Australia) in various financial and senior executive positions.

Mr McKinnon is also a former Non-executive Director of Bankwest, Brierty Limited, Programmed Maintenance Services Limited and Tox Free Solutions Limited.

02. PRINCIPAL ACTIVITIES

The Group acquires, develops and markets residential land, predominantly under a capital-efficient funds management model.

Peet was founded in Western Australia in 1895 and has expanded over the years to become Australia's largest pure-play residential developer. Peet has been listed on the ASX since 2004 and is focused on creating high-quality master-planned residential communities for homebuyers across Australia, and achieving the best possible results for its shareholders, investors and partners who include State and Federal Government agencies and major Australian institutions.

The Group employs approximately 240 people in offices throughout Australia. As at 30 June 2019, the Group managed and marketed a land bank of 49,413 lots in the growth corridors of major mainland Australian cities.

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS

OPERATING AND FINANCIAL REVIEW

Key results[1]

- Operating profit[2] and statutory profit[3] after tax of $47.5 million
- Earnings per share of 9.8 cents
- FY19 dividends of 5.0 cents per share, fully franked
- Revenue[4] of $262.9 million, with 2,629 lots settled
- EBITDA[5] of $86.0 million
- EBITDA[5] margin of 33%
- 1,257 contracts on hand[6] as at 30 June 2019
- Gearing[7] of 24.6%

Financial commentary

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $47.5 million for the year ended 30 June 2019, which represents a decrease of 3.2% on FY18. This represents a solid result underpinned by strong settlements from several key projects; but also impacted by overall lower sales on the back of moderated market conditions and restrictive lending conditions.

The Group derived EBITDA[5] of $86.0 million during FY19, compared to $101.3 million in FY18, with a strong EBITDA[5] margin of 33%, compared to the margin achieved in FY18 of 34%.

1 Comparative period is 30 June 2018, unless stated otherwise. The non-IFRS measures have not been audited.
2 Operating profit is a non-IFRS measure that is determined to present the ongoing activities of the Group in a way that reflects its operating performance. Operating profit excludes unrealised fair value gains/(losses) arising from the effect of revaluing assets and liabilities and adjustments for realised transactions outside the core ongoing business activities.
3 Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.
4 Includes statutory revenue of $249.5 million (FY18: $287.6 million) and share of net profits from associates of $13.3 million (FY18: $14.1 million).
5 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $13.3 million (FY18: $14.1 million).
6 Includes equivalent lots.
7 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

The performance has resulted in earnings per share of 9.8 cents for the year ended 30 June 2019, compared to 10.0 cents per share in FY18.

The Group has maintained its focus on prudent capital management and during 2H19 issued $75 million of unsecured notes, further diversifying its debt structure. The Group's balance sheet remains strong with gearing[7] of 24.6%, within the Company's target range of 20% to 30%.

Operational commentary

The Group achieved 1,629 sales[8] (with a gross value of $359.7 million) and 2,629 settlements[8] (with a gross value of $641.4 million) for the full year across its Funds Management, Development and Joint Venture projects, representing a decrease of 45% and 10%, respectively compared with FY18.

Sales were impacted by the broader market conditions around the country, associated with restrictive lending conditions, a moderating Victorian market and a subdued Western Australian housing market.

Settlements were affected by the completion of several syndicated Victorian projects during FY18, reduction in sales across the portfolio and the reduction in englobo sales during FY19.

Despite the lower sales activity, Peet was able to achieve a strong EBITDA[9] margin of 33% (FY18: 34%) across the business, driven by settlements from low cost Victorian Development projects, a continued focus on cost management across the portfolio of projects and implementing efficiencies across the business.

At 30 June 2019, there were 1,257 contracts on hand[8], with a gross value of $335.5 million, compared with 2,257 contracts on hand[8] with a gross value of $615.9 million at 30 June in 2018. The lower contracts on hand as a result of lower sales activity is expected to impact settlements in FY20.

Funds management projects

The Group's Funds Management business performed solidly in FY19, with strong settlements from projects in Victoria partially offsetting the impact of lower sales activity due to restrictive lending conditions and a moderation of market conditions (particularly in Victoria). The sales variance when compared to the previous year is also attributable to the completion of several projects in Victoria during FY18.

Funds Management continues to be a key platform of the Group's strategy, and as at 30 June 2019, approximately 54% of the Group's land bank comprised Funds Management projects. This business provides Peet with a capital-lite earnings base which contributed approximately 25% of the Group's EBITDA[9,10] for FY19.

- 909 lots sold[8] for a gross value of $193.8 million, compared with 1,782 lots ($370.0 million) in FY18.
- 1,535 lots settled[8] for a gross value of $355.2 million, compared with 1,796 lots ($352.6 million) in FY18.
- 685 contracts on hand[8] as at 30 June 2019 with a total value of $149.0 million, compared with 1,311 contracts[8] ($310.8 million) as at 30 June 2018.
- EBITDA[9] of $24.4 million compared with $28.3 million in FY18.
- EBITDA[9] margin increased slightly to 71% from 70% in FY18.

Development projects

During FY19, Development projects contributed 61% of the Group's EBITDA[10], with this performance underpinned by the results achieved from the Victorian and ACT portfolios, offset by the lower contribution of englobo sales, compared to FY18.

During the year, the Group acquired a number of medium density townhouse and low-rise apartment sites that will expand the Group's market reach by broadening available product offerings to home buyers and investors.

7 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
8 Includes equivalent lots.
9 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
10 Before inter-segment transfers and other unallocated items.

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

As at 30 June 2019 approximately 24% of the Group's land bank comprised Development projects.

- 306 lots sold[11] for a gross value of $67.9 million, compared with 412 lots ($140.2 million) in FY18.
- 555 lots settled[11] for a gross value of $163.1 million, compared with 438 lots ($195.8 million) in FY18.
- 211 contracts on hand[11] as at 30 June 2019 with a total value of $56.0 million, compared with 460 contracts[11] ($151.0 million) as at 30 June 2018.
- EBITDA[12] of $58.5 million compared with $67.2 million in FY18.
- EBITDA[12] margin of 32%, compared with 34% in FY18.

Joint Ventures

As at 30 June 2019 approximately 22% of the Group's land bank comprised Joint Venture projects, with major projects located in Qld, NSW, WA and SA. In FY19, Joint Venture projects contributed 14% of the Group's EBITDA[12, 13].

Restrictive lending conditions and moderating east coast markets contributed to the reduced contribution from the Group's Joint arrangements business in FY19. While sales and settlement activity reduced across the joint venture portfolio, average sales prices were generally able to be maintained, with some modest growth also evident.

- 414 lots sold[11] for a gross value of $98.0 million, compared with 756 lots ($204.3 million) in FY18.
- 539 lots settled[11] for a gross value of $123.1 million, compared with 690 lots ($163.0 million) in FY18.
- 361 contracts on hand[11] as at 30 June 2019 with a total value of $130.5 million, compared with 486 contracts[11] ($154.1 million) as at 30 June 2018.
- EBITDA[12] of $13.7 million compared with $16.6 million in FY18.
- EBITDA[12] margin of 31%, compared with 30% in FY18.

Land portfolio metrics

	FY19	FY18	Change
Lot sales[11]	1,629	2,950	(45%)
Lot settlements[11]	2,629	2,924	(10%)
Contracts on hand as at 30 June[11]			
Number	1,257	2,257	(44%)
Value	$335.5 million	$615.9 million	(46%)

CAPITAL MANAGEMENT

The Group continues to apply a prudent focus on capital management and during FY19 derived $46.4 million net cash inflows from operations (before payments for purchase of land) and kept its gearing[14] within its target range of 20% to 30% at 24.6% as at 30 June 2019.

During the year, the Group raised $75 million from the issue of senior unsecured notes via the wholesale debt market, which together with the extension of its existing senior debt facility increased the tenor of the Group's debt maturity profile, continued to diversify Peet's capital funding sources and provides greater operating flexibility to fund investment opportunities that may arise.

At 30 June 2019, the Group had net interest-bearing debt[15] (including Peet Bonds) of $211.6 million, compared with $140.5 million at 30 June 2018. Approximately, 91% of the Group's interest-bearing debt[15] was hedged as at 30 June 2019, which is the same as at 30 June 2018.

11 Includes equivalent lots.
12 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
13 Before inter-segment transfers and other unallocated items.
14 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
15 Including net debt of syndicates consolidated under AASBID

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

Peet's balance sheet remains strong, including cash and debt facility headroom of $156.1 million as at 30 June 2019 and a weighted average debt maturity of over three years.

The Group is taking a cautious view into FY20, with a disciplined and conservative approach to the deployment of capital as a result of current market conditions. The strong balance sheet and available capital provides the Group with the capacity to accelerate delivery of product in response to any improvements in market conditions.

In FY19, Peet Limited implemented a 12-month on-market share buy-back of up to 5% of its issued ordinary shares. As at 30 June 2019, the Company had acquired 6.7 million of its ordinary shares, representing approximately 27% of the total shares to be acquired, and subsequent to year end announced that the on-market buy-back has been extended for a further 12 months.

DIVIDENDS

Subsequent to year end, the Directors declared a final dividend for FY19 of 3.0 cents per share, fully franked. This brings the total dividend for FY19 to 5.0 cents per share, fully franked which is the same as the FY18 dividend. The dividend is to be paid on Monday, 7 October 2019, with a record date of Thursday, 19 September 2019.

The Directors have resolved to keep the Company's Dividend Reinvestment Plan deactivated.

GROUP STRATEGY

The Group will continue to target the delivery of quality residential communities around Australia by leveraging its land bank; working in partnership with wholesale, institutional and retail investors; and continuing to meet market demand for a mix of product in the growth corridors of major Australian cities.

Key elements of the Group's strategy for the year ahead and beyond include:

- selectively acquiring residential land holdings as cycles, markets and opportunities allow to restock the project pipeline with a focus on securing low cost projects, and predominantly under its funds management platform;
- expanding market reach by continuing to broaden its product offering in Completed Homes, Medium Density Townhouses and low-rise Apartment product;
- delivering affordable product targeted at the low and middle market segments; and
- maintaining a strong balance sheet and cash flow position.

FY19 saw the Group further invest in its Completed Homes and Medium Density Townhouse business. FY20 is expected to see further capital invested into development and construction of Completed Homes and Medium Density Townhouse pipeline, with a substantial recycling of this capital expected in FY21.

FY19 also saw the Company establish a new wholesale fund to acquire an 80-hectare property in Perth's northern coastal corridor, with approvals in place to develop more than 1,100 lots. Peet retains a 19.9% interest in the syndicate and will act as development manager of the property.

Peet has an experienced and highly committed team and continues to make good progress on the delivery of its strategic priorities and on broadening its capital base to place it in a position to leverage any improvements in market conditions.

RISKS

The Group's operating and financial performance is influenced by a number of risks impacting the property sector. These include ongoing restrictive bank lending conditions, general economic conditions, government policy influencing a range of matters including population growth, household income and consumer confidence, the employment market, and land development conditions and requirements, including in relation to infrastructure, environmental and climate-change management.

Global and domestic economic factors which may influence capital markets and the movement of interest rates are also risks faced by the Group.

The property market is cyclical and, while the Group is impacted by fluctuations in the market, it has also proved its capacity to manage through various cycles over a very significant period of time.

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

At an individual project level, residential property developments also face a number of risks related to the price and availability of capital, the timeliness of approvals, delays in construction, and the level of competition in the market. The Group has a long history of managing these risks at an individual project and portfolio level.

The Group's financial risk management policies are set out in note 17 to the Financial Report.

OUTLOOK

The Peet Group enters FY20 with a strong balance sheet, low gearing[16] and a residential development pipeline well positioned for sustainable long-term growth.

While the residential sector continues to be impacted by restrictive lending conditions, recent macro-economic announcements including the approval of cuts in income tax rates following the Federal election in May 2019, reduction in interest rates and APRA's announcement of changes to its residential mortgage lending guidelines would prove positive in an improved market.

Despite a general improvement in enquiry from potential buyers of the Group's products, we expect the market to take some time to normalise, with steady employment growth, record low interest rates and high investment in infrastructure by Government offset by the broad uncertainty driven by reduced credit availability, weak consumer sentiment and low wages growth.

We remain cautious about the timing of recovery in the residential market. However, our strong pipeline of projects, and the underlying fundamentals of the residential property sector, means that Peet is well positioned to deliver supply to the market as demand improves and lending conditions normalise.

04. EARNINGS PER SHARE

	2019 Cents	2018 Cents
Basic and diluted earnings per share	9.79	10.02

Basic earnings per share is calculated after income tax expense based on the weighted average number of shares on issue for the year ended 30 June 2019. The weighted average number of shares on issue used to calculate earnings per share is discussed at note 7 to the Financial Report.

05. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year.

06. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year, which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

16 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

07. DIVIDENDS

In August 2018, the Directors declared a final dividend of 3.0 cents per share, fully franked, in respect of the year ended 30 June 2018. The dividend of $14.7 million was paid on Friday, 5 October 2018.

In February 2019, the Directors declared an interim dividend of 2.0 cents per share, fully franked, in respect to the year then ending 30 June 2019. The dividend of $9.7 million was paid on Tuesday, 9 April 2019.

Subsequent to the year end, the Directors declared a final dividend for FY19 of 3.0 cents per share, fully franked. This brings the total dividend for FY19 to 5.0 cents per share, fully franked which is consistent with FY18 dividend (5 cents per share, fully franked). The dividend is to be paid on Monday, 7 October 2019, with a record date of Thursday, 19 September 2019.

The Directors have resolved to keep the Company's Dividend Reinvestment Plan deactivated.

08. ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation by way of the *Environment Protection and Biodiversity Conservation Act 1999* in respect of its land subdivision activities nationally, as well as other environmental regulations under both Commonwealth and State legislation.

The Group is not aware of any breaches of environmental regulations in respect of its activities. However, from time to time, statutory authorities make enquiries, issue notices requiring documents and/or material to be provided, and undertake investigations or audits to confirm compliance with relevant regulations.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group may be subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007. This requires the Group to report its annual greenhouse gas (GHG) emissions and energy use if it has operational control of facilities (sites) that emit greenhouse gases, produce energy, or consume energy at or above the specified GHG emission and energy thresholds per financial year.

The Group is not required to register and report to the Clean Energy Regulator as the Group does not have operational control for each of its projects, which is the responsibility of the relevant contractor undertaking the works, and the remainder of the Group's activities fall below the reporting thresholds for the FY19 reporting period.

09. INFORMATION ON DIRECTORS AND GROUP COMPANY SECRETARY

Please refer to the Board of Directors section of this report for information on Directors.

GROUP COMPANY SECRETARY

Dom Scafetta is a Chartered Accountant who has worked with Peet Limited since 1998.

Mr Scafetta began his career with major accounting firm Coopers & Lybrand (now PricewaterhouseCoopers) after completing a commerce degree in 1993. He held a senior role with the organisation in its Business Services division and advised a range of clients on accounting, taxation and general business matters.

After four years at Coopers & Lybrand, Mr Scafetta joined Peet as Company Accountant and Company Secretary, which also required him to act as Company Secretary for the Company's various syndicates and subsidiaries. Prior to Peet being listed on the Australian Securities Exchange, Mr Scafetta was appointed Chief Financial Officer and served in that role until February 2005, when he was appointed as Company Secretary of Peet Limited.

10. DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Director	Board of Directors		Audit & Risk Management Committee		Remuneration Committee		Nomination Committee	
	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended
A W Lennon	11	11	–	–	–	–	1	1
B D Gore	11	11	–	–	–	–	1	1
A J Lennon	11	10	6	6	–	–	1	1
T J Allen	11	11	6	6	3	3	1	0
V Krause	11	10	–	–	3	2	1	1
R J McKinnon	11	11	6	6	3	3	1	1

11. RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Directors are elected at the Annual General Meeting (AGM) of the Company. Retirement will occur on a rotational basis so that one third of the Directors, but not less than two, shall retire at each AGM. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next AGM. No Director who is not the Managing Director, may hold office without re-election beyond the third AGM following the meeting at which the Director was last elected or re-elected.

At this year's AGM, both Mr A W Lennon and Mr R J McKinnon will retire by rotation and offer themselves for re-election. Your Board of Directors recommend the re-election of Mr A W Lennon and Mr R J McKinnon.

12. REMUNERATION

Dear Shareholder,

Peet is pleased to present its Remuneration Report for the year ended 30 June 2019. This report sets out remuneration information for Non-executive Directors ("NEDs"), the Managing Director and Chief Executive Officer ("MD"), and other key management personnel ("KMP") and focuses on the remuneration decisions made by the Board and the pay outcomes that resulted.

Peet achieved an operating net profit after tax of $47.5 million for the 2019 financial year, compared to $49.1 million in the previous year. During the year, Peet secured several new projects, embarked on an on-market share buy back and further diversified its debt capital strengthening its balance sheet.

To ensure Peet delivers on its growth strategy it must have the right people to lead the Group over the long-term and a competitive remuneration framework that encourages our Leadership Team to continue to make decisions with a view to creating long-term value for shareholders and all stakeholders.

In considering remuneration outcomes, the Board's Remuneration Committee (Committee):

a. balances Peet's financial performance with the development and implementation of strategies for the long-term benefit of the Group; and
b. takes into account the underlying scale of Peet's operations which are not fully identifiable from a pure focus on the Group's statutory accounts.

While the statutory financial statements show total revenue of $249.5 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of $86.0 million, Peet management remains responsible for a greater scale of business.

In addition to its own land development projects, Peet is also responsible for the management of a significant portfolio of land development projects held within its Funds Management and Joint arrangements businesses. In addition to Group revenues of $249.5 million and EBITDA of $86.0 million, the properties that Peet is also responsible for within its Fund Management and Joint Arrangement Businesses generated revenues of $389.5 million and EBITDA of $84.4 million.

Accordingly, the scale of business from which Peet derives its revenues and earnings, which drive its capacity to pay dividends to shareholders, is extensive.

Key remuneration outcomes of the Committee's deliberations are as follows:

- The MD's base pay for the year ended 30 June 2019 was the same as for the previous year.
- There were no increases in the base pay of the other non-director KMP during the year ended 30 June 2019.
- Short–term incentives will be paid to the KMP in respect of the year ended 30 June 2019. This follows a positive assessment of the individual members' performance against a balanced scorecard, which includes consideration of Group financial and strategic targets, together with individual targets. However, the quantum of short-term incentives paid to KMP reduced by 19%, compared to that paid in respect to the financial year ended 30 June 2018.
- During the year, long-term incentive performance conditions were tested as at 30 June 2018 resulting in the partial vesting of performance rights. The vesting was met by way of ordinary shares acquired on market during the 2019 financial year.

Peet also takes the opportunity to confirm that the MD's base pay for the year ending 30 June 2020 will be the same as 2019, notwithstanding his contractual entitlement to an adjustment of at least CPI. The MD's base pay was last amended with effect from 1 July 2014. Additionally, the 2020 base pays of all other KMP will remain the same as their 2019 base pays.

We encourage our shareholders to use the cash value of remuneration realised table on page 47 to assess the remuneration outcomes for KMP in the year ended 30 June 2019 and the alignment of these outcomes with the Group's performance.

The key difference between the cash value of remuneration realised and the statutory remuneration is the value included in the statutory remuneration table for potential future outcomes under the long-term incentive. A value is required to be included in the statutory remuneration table to account for long-term incentives that may or may not vest in the future, while the value for long-term incentives included in the cash value of remuneration realised table represents the value of shares actually received by KMP following the vesting of performance rights.

The Board is satisfied that these remuneration outcomes for the year ended 30 June 2019 are appropriately performance-based while at the same time recognising the strategic needs of the Group, and we commend this report to you.

Robert McKinnon
Chairman, Remuneration Committee

13. REMUNERATION REPORT (AUDITED)

The Remuneration report is set out under the following main headings:

A. SERVICE AGREEMENTS

B. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

C. DETAILS OF REMUNERATION

D. SHARE-BASED COMPENSATION

E. ADDITIONAL INFORMATION

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

The key management personnel of the Group ("KMP") include the Non-executive Directors ("NEDs") of the Group, and the following executives (the "Executives") who have authority and responsibility for planning, directing and controlling the activities of the Group.

Name	Position
B D Gore	Managing Director and Chief Executive Officer
P J Dumas	Chief Investment Officer
D Scafetta	Group Company Secretary
B C Fullarton	Chief Financial Officer

A. SERVICE AGREEMENTS

Remuneration and other terms of employment for the Executives are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses and participation, when eligible, in the Peet Limited Employee Share Option Plan and/or the Peet Limited Performance Rights Plan. The major provisions of the agreements are set out below.

All contracts with Executives may be terminated early by either party with 3 to 6 months' notice, subject to termination payments as detailed below.

Name	Terms of Agreement	Base pay including Superannuation[1]	Termination Benefit[2,3]
B D Gore	On-going renewed 5 August 2011	$937,300	Refer below[4]
P J Dumas	On-going commenced 4 February 2008	$485,000	3 months base pay inclusive of superannuation
D Scafetta	On-going commenced 10 June 1998	$350,000	3 months base pay inclusive of superannuation
B C Fullarton	On-going commenced 21 October 2013	$440,000	3 months base pay inclusive of superannuation

1 Base pays, inclusive of superannuation, for the year ended 30 June 2019. Base pays are reviewed annually by the Remuneration Committee.
2 Termination benefits are payable on early termination by Peet Limited giving notice in writing. Payment may be made in lieu of notice, other than for gross misconduct.
3 Termination benefits referred to in the above table are in addition to any statutory entitlements payable (e.g. accrued annual leave and long service leave).
4 On 5 August 2011 B D Gore renewed his contractual arrangements with the Company. Under the agreement the components of his remuneration comprise fixed annual remuneration, short-term incentives and long-term incentives. There is no fixed termination date and the agreement is terminable on six months notice by either party. The Company may, at its option, make a payment in lieu of part or all of the notice period and certain conditions exist in relation to payment of long-term and short-term incentives upon termination. A summary of the key contractual terms and remunera-tion-related arrangements was disclosed to the market on 5 August 2011 with certain parts approved by shareholders at the 2011 AGM.

B. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives for the long-term benefit of the Company and shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment to executive compensation; and
- capital management.

In consultation with external remuneration consultants in prior financial years, the Company has structured, and continues to evolve, an executive remuneration framework that is market competitive and complementary to our reward strategy through the following features.

Alignment to shareholders' interests

- has a relevant measurement of financial performance as a core component of plan design;
- rewards implementation of strategy;
- focuses the Executive on other key financial and non-financial drivers of long-term value; and
- attracts and retains high-calibre executives.

For the purpose of assessing Executives' eligibility to short-term incentives, the Remuneration Committee and Board have traditionally agreed to the use of a balanced scorecard. This methodology will continue to be used for the 2020 financial year, and will comprise a combination of financial and non-financial key performance indicators.

During the 2018 financial year, the Remuneration Committee recommended to the Board, and it agreed, to assess financial performance for the purposes of long-term incentive awards against earnings per share (EPS) growth, together with funds under management growth. These performance measures were also used for the 2019 financial year and will continue to be used for the 2020 financial year.

The Remuneration Committee and the Board will continue to assess the applicability of all short-term and long-term related key performance indicators as they are applied in assessing performance for remuneration purposes.

Alignment to program participants' interests

- rewards capability and experience;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As employees are promoted to executive and senior management roles within the Company, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

NEDs' fees (including the Chairman's fees)

Fees and payments to NEDs reflect the demands which are made on, and the responsibilities of, the NEDs. NEDs' fees and payments are reviewed periodically by the Remuneration Committee and the Board. The Remuneration Committee considers, as appropriate, the advice of independent remuneration consultants to ensure NEDs' fees and payments are appropriate and in line with the market. NEDs do not receive share options or performance rights.

The NEDs' remuneration is inclusive of committee fees and fees for their membership on any subsidiary Boards. The fees payable to NEDs and the Chairman of the Remuneration Committee and the Chairman of the Audit and Risk Management Committee were last amended with effect from 1 July 2018 (after last being amended with effect from 1 July 2014). NEDs may also be entitled to fees where they represent Peet on the Board of Syndicates.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

NEDs' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. Shareholders approved a resolution at the 2012 AGM to increase the aggregate NEDs' fees pool to $900,000.

The NEDs do not receive any form of retirement allowance.

NEDs' fees for the 2020 financial year will be the same as the 2019 financial year.

Executive pay

The Company's pay and reward framework for Executive's has the following components:
- base pay and benefits;
- short-term performance incentives; and
- long-term performance incentives.

The combination of these comprises the total remuneration for the individual concerned.

Base pay and benefits

The base pay for Executives is structured as a total employment cost package, which may be delivered as a mix of cash and prescribed non-financial benefits and includes superannuation.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. As and when considered appropriate, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay is reviewed annually to ensure it remains competitive with the market. There were no changes to the quantum of total base pay for Executives during the 2019 financial year.

Short-term performance incentives ("STI")

Executives have a target STI opportunity depending on the accountabilities of their specific role and impact on the Group's performance. The maximum target bonus opportunity for the Executives for the years ended 30 June 2019 and 2018 ranged between 50% and 100% of the relevant Executive's base pay. However, the Board of Directors has the discretion to pay over and above these amounts.

Each year, the Remuneration Committee considers the appropriate targets and key performance indicators ("KPIs") to link to the STI plan and the level of payout if targets are met for the Managing Director and Chief Executive Officer ("MD"). This may include setting any maximum payout under the STI plan and minimum levels of performance to trigger payment of STI. The MD will then set the STI KPIs to apply to the other Executives.

KPIs for each Executive are set by reference to the following criteria based on their specific role:
- financial;
- strategy;
- stakeholder engagement;
- people and processes improvements; and
- health, safety and environment.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

For the year ended 30 June 2019, the MD and other Executives were assessed as follows against the KPIs:

	Weighting		**% Achieved**		**% Forfeited**	
Category	MD	Executives	MD	Executives	MD	Executives
Financial	70.0%	65.0% to 80%	49.0%	45.5% to 59.0%	21.0%	19.5% to 21.0%
Strategic	10.0%	7.5% to 35.0%	10.0%	6.0% to 25.0%	0.0%	0.0% to 10.0%
Stakeholder	7.5%	0.0% to 2.5%	7.5%	0.0% to 2.5%	0.0%	0.0%
People, processes and culture	7.5%	0.0% to 12.5%	7.5%	0.0% to 10.0%	0.0%	0.0% to 2.5%
Health, safety and environment	5.0%	0.0% to 12.5%	5.0%	0.0% to 12.5%	0.0%	0.0%
	100.0%	**100.0%**	**79.0%**	**70.5% to 79.0%**	**21.0%**	**21.0% to 29.5%**

For the year ended 30 June 2018, the KPI’s linked to STI plan were based on similar criteria.

Long-term incentives (“LTI”)

Traditionally, the Company has provided its Executives with LTI through participation in the Peet Limited Employee Share Option Plan (“PESOP”) and/or the Peet Limited Performance Rights Plan (“PPRP”).

Executives have a target LTI opportunity depending on the accountabilities of their specific role and impact on the Group’s performance. The maximum target opportunity for the Executives for the years ended 30 June 2019 and 2018 ranged between 50% and 100% of the relevant Executive’s base pay.

Each year, the Remuneration Committee considers the appropriate targets and KPIs to link to the LTI plan and the level of payout if targets are met for the Executives. This may include setting any maximum payout under the LTI plan and minimum levels of performance to trigger payment of LTI. Further details of the Company’s LTI structures are included in the section titled ‘Share-based compensation’.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

C. DETAILS OF REMUNERATION

Details of the statutory and cash value of remuneration of each member of the KMP of the Group are set out in the tables following.

The statutory disclosures required by the Corporations Act 2001(Cth), as amended and its regulations are set out in the table on page 49. The company believes that the additional information provided in table below is useful to investors. The table below sets out the total cash value of remuneration realised for the KMP and provides shareholders with details of the "take-home" pay received/ receivable during the year. These earnings include cash salary and fees, bonus, superannuation, non-cash benefits received/ receivable during the year and the value of shares issued to, or acquired on behalf of, KMP following the vesting of Performance Rights ("PRs") during the financial year. The table does not include the accounting value of share-based payments consisting of PRs granted in the current and prior years required for statutory purposes. This is because those share-based payments are dependent on the achievement of performance hurdles and so may or may not be realised.

DIRECTORS		Cash salary and fees [1]	Bonus [2]	Value of PRs vested [3]	Other [4]	Superannuation	Total
A W Lennon	**2019**	**231,857**	–	–	–	**24,462**	**256,319**
	2018	216,847	–	–	–	20,453	237,300
T J Allen	**2019**	**143,167**	–	–	–	**13,601**	**156,768**
	2018	136,283	–	–	–	12,947	149,230
V Krause	**2019**	**92,939**	–	–	–	**8,829**	**101,768**
	2018	86,055	–	–	–	8,175	94,230
R J McKinnon	**2019**	**115,770**	–	–	–	**10,998**	**126,768**
	2018	108,886	–	–	–	10,344	119,230
A J Lennon	**2019**	**152,939**	–	–	–	**8,829**	**161,768**
	2018	146,055	–	–	–	8,175	154,230
B D Gore	**2019**	**916,769**	**740,467**	**1,040,125**	**10,000**	**20,531**	**2,727,892**
	2018	917,251	918,554	856,369	10,000	20,049	2,722,223
Total	**2019**	**1,653,441**	**740,467**	**1,040,125**	**10,000**	**87,250**	**3,531,283**
	2018	1,611,377	918,554	856,369	10,000	80,143	3,476,443
OTHER KEY MANAGEMENT PERSONNEL							
P J Dumas	**2019**	**460,000**	**205,155**	–	–	**25,000**	**690,155**
	2018	460,000	261,900	259,844	–	25,000	1,006,744
D Scafetta	**2019**	**329,469**	**138,250**	**194,197**	–	**20,531**	**682,447**
	2018	329,951	161,000	148,470	–	20,049	659,470
B C Fullarton	**2019**	**415,000**	**165,000**	**244,135**	–	**25,000**	**849,135**
	2018	415,000	198,000	201,004	–	25,000	839,004
Total	**2019**	**1,204,469**	**508,405**	**438,332**	–	**70,531**	**2,221,737**
	2018	1,204,951	620,900	609,318	–	70,049	2,505,218

1 Cash salary and fees, as well as fees paid to Directors for their directorship on Syndicate Boards.
2 All cash bonuses are earned in the financial year to which they relate and are paid during the following financial year.
3 Amount paid by the Company in order to settle the PRs exercised during years ended 30 June 2018 and 2019. The Company purchased ordinary shares in the Co mpany on-market on behalf of KMP.
4 Other includes termination benefits, long service payments, motor vehicle costs, car-parking and other benefits.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

The table below is calculated in accordance with statutory obligations and Australian Accounting Standards. The amounts in the "Share-based payments" column relate to the component of the fair value of awards from the current year and prior years made under the various incentive plans attributable to the year measured in accordance with AASB 2 Share-based Payments.

		Short-term benefits			Post-employment benefits	Share-based payments		
		Cash salary and fees[1]	Bonus[2]	Other[3]	Superannuation	Shares/ Options / Performance Rights[4]	Termination benefits	Total
		$	$	$	$	$	$	$
DIRECTORS								
AW Lennon	**2019**	**231,857**	–	–	**24,462**	–	–	**256,319**
	2018	216,847	–	–	20,453	–	–	237,300
T J Allen	**2019**	**143,167**	–	–	**13,601**	–	–	**156,768**
	2018	136,283	–	–	12,947	–	–	149,230
V Krause	**2019**	**92,939**	–	–	**8,829**	–	–	**101,768**
	2018	86,055	–	–	8,175	–	–	94,230
R J McKinnon	**2019**	**115,770**	–	–	**10,998**	–	–	**126,768**
	2018	108,886	–	–	10,344	–	–	119,230
A J Lennon	**2019**	**152,939**	–	–	**8,829**	–	–	**161,768**
	2018	146,055	–	–	8,175	–	–	154,230
B D Gore	**2019**	**916,769**	**740,467**	**10,000**	**20,531**	**229,121**	–	**1,916,888**
	2018	917,251	918,554	10,000	20,049	972,099	–	2,837,953
Total	**2019**	**1,653,441**	**740,467**	**10,000**	**87,250**	**229,121**	–	**2,720,279**
	2018	1,611,377	918,554	10,000	80,143	972,099	–	3,592,173
OTHER KEY MANAGEMENT PERSONNEL								
P J Dumas	**2019**	**460,000**	**205,155**	–	**25,000**	**77,273**	–	**767,428**
	2018	460,000	261,900	–	25,000	302,842	–	1,049,742
D Scafetta	**2019**	**329,469**	**138,250**	–	**20,531**	**46,470**	–	**534,720**
	2018	329,951	161,000	–	20,049	182,122	–	693,122
B C Fullarton	**2019**	**415,000**	**165,000**	–	**25,000**	**58,419**	–	**663,419**
	2018	415,000	198,000	–	25,000	228,953	–	866,953
Total	**2019**	**1,204,469**	**508,405**	–	**70,531**	**182,162**	–	**1,965,567**
	2018	1,204,951	620,900	–	70,049	713,917	–	2,609,817

1 Cash salary and fees include fees paid to Directors for their directorship on Syndicate Boards.
2 All cash bonuses are earned in the financial year to which they relate and are paid during the following financial year.
3 Other includes motor vehicle costs, car-parking and other benefits.
4 The value placed on options and performance rights in the table above is based on the valuation at the date of grant using a Black-Scholes model (options) or Binomial Model, pro-rated over the period from grant date to vesting date. These do not represent the value of equity benefits that vested in favour of KMP during the year.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

The relative proportions of remuneration that are linked to performance and those that are fixed based on the table are as follows:

	Fixed remuneration		At risk STI		At risk LTI	
	2019	2018	2019	2018	2019[1]	2018[1]
DIRECTORS						
A W Lennon	100%	100%	–	–	–	–
T J Allen	100%	100%	–	–	–	–
V Krause	100%	100%	–	–	–	–
R J McKinnon	100%	100%	–	–	–	–
A J Lennon	100%	100%	–	–	–	–
B D Gore	49%	33%	39%	33%	12%	34%
OTHER KEY MANAGEMENT PERSONNEL						
P J Dumas	63%	46%	27%	25%	10%	29%
D Scafetta	65%	51%	26%	23%	9%	26%
B C Fullarton	66%	51%	25%	23%	9%	26%

1 Since LTI are provided exclusively by way of options and/or PRs, the percentages disclosed also reflect the value of remuneration consisting of options and/or PRs based on the value of options and/or PRs expensed during the year.

D. SHARE-BASED COMPENSATION

Options over shares in Peet Limited are granted under the PESOP, which was approved by the Board and shareholders during the 2004 financial year. PRs over shares in Peet Limited are granted under the PPRP, which was approved by shareholders at the 2008 AGM. Changes have been made since to allow for changes in taxation of PRs. Employees of any Group Company (including an Executive Director) will be eligible to participate in the PESOP and/or PPRP at the discretion of the Board.

The PESOP and PPRP are designed to provide long-term incentives for Executives to deliver long-term shareholder returns. Under the plans, participants are granted options and/or PRs, which only vest if the employees are still employed by the Group at the end of the vesting period, subject to the Board's discretion, and any set performance hurdles have been met.

Invitations to apply for options and/or performance rights

Eligible employees, at the discretion of the Board, may be invited to apply for options and/or PRs on terms and conditions to be determined by the Board including as to:

- the method of calculation of the exercise price of each option;
- the number of options and/or PRs being offered and the maximum number of shares over which each option and/or PR is granted;
- the period or periods during which any of the options and/or PRs may be exercised;
- the dates and times when the options and/or PRs lapse;
- the dates and times by which the application for options and/or PRs must be received by Peet; and
- any applicable conditions which must be satisfied or circumstances which must exist before the options and/or PRs may be exercised.

Eligible employees may apply for part of the options and/or PRs offered to them, but only in specified multiples.

Consideration

Unless the Board determines otherwise, no payment will be required for a grant of options and/or PRs under the PESOP and/or PPRP.

Exercise conditions

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option and/or PR must be satisfied. However, the Board has the discretion to enable an option and/or PR holder to exercise options and/or PRs where the exercise conditions have not been met, including, for example, where a court orders a meeting to be held in relation to a proposed compromise or arrangement in respect of the Company, or a resolution is passed, or an order is made, for winding up the Company.

Options granted under the PESOP and PRs granted under the PPRP carry no dividend or voting rights.

Lapse of options and/or PRs

Unexercised options and/or PRs will lapse upon the earlier to occur of a variety of events specified in the rules of the PESOP and PPRP including, on the date or in circumstances specified by the Board in the invitation, failure to meet the options' or PRs' exercise conditions in the prescribed period or on a specified anniversary date of grant of the options or PRs, as determined by the Board.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

The table below summarises the status of the Company's options and performance rights granted to Executives:

Executives	Date of Grant	Performance/ Service Period	Expiry	Exercise	Value per option/ PR at Grant Date	Vesting conditions	Balance as at 1 July 18	Granted	Exercised	Lapsed/ forfeited	Balance at date of report	Vested and exercisable at date of report	Notes
OPTIONS													
B D Gore	30 Nov 2007	Up to 30 Nov 2011	N/A	$4.10	$1.12	Time based	1,200,000	–	–	–	1,200,000	1,200,000	2
PERFORMANCE RIGHTS													
B D Gore	25 Nov 2015	3 yrs ended	25 Nov 2030	$0.00	$0.97[1]	FUM Growth	928,020	–	(866,771)	(61,249)	–	–	3
		30 Jun 2018				ROCE							4
	23 Nov 2016	3 yrs ended	23 Nov 2031	$0.00	$0.80[1]	FUM Growth	1,065,114	–	–	–	1,065,114	–	3
		30 Jun 2019				ROCE							4
	29 Nov 2017	3 yrs ended	29 Nov 2032	$0.00	$1.33[1]	FUM Growth	874,347	–	–	–	874,347	–	3
		30 Jun 2020				EPS Growth							5
	21 Nov 2018	3 yrs ended	21 Nov 2033	$0.00	$0.94[1]	FUM Growth	–	870,288	–	–	870,288	–	3
		30 Jun 2021				EPS Growth							5
Other Executives													
	21 Dec 2015	3 yrs ended	21 Dec 2030	$0.00	$0.96	FUM Growth	679,208	–	(365,277)	(44,828)	269,103	269,103	3
		30 Jun 2018				ROCE							4
	21 Dec 2016	3 yrs ended	21 Dec 2031	$0.00	$0.85	FUM Growth	779,546	–	–	–	779,546	–	3
		30 Jun 2019				ROCE							4
	5 Dec 2017	3 yrs ended	5 Dec 2032	$0.00	$1.30	FUM Growth	639,925	–	–	–	639,925	–	3
		30 Jun 2020				EPS Growth							5
	21 Nov 2018	3 yrs ended	21 Nov 2033	$0.00	$0.94	FUM Growth	–	636,954	–	–	636,954	–	3
		30 Jun 2021				EPS Growth							5
							4,966,160	1,507,242	(1,232,048)	(106,077)	5,135,277	269,103	
Total							**6,166,160**	**1,507,242**	**(1,232,048)**	**(106,077)**	**6,335,277**	**1,469,103**	

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

NOTE 1

The issue of a share-based payment award to a Director requires shareholder approval and the value at grant date is taken as the date at which that approval is granted. Accordingly, the value of these PRs is based on 25 November 2015, 23 November 2016, 29 November 2017 and 21 November 2018, being the dates of Peet Limited's, 2014, 2015, 2016, 2017 and 2018 AGMs, respectively.

NOTE 2

These options are convertible to ordinary shares on a 1:1 basis at the exercise price after the fourth anniversary of the grant date.

The exercise condition in respect of these options is that Mr Gore remains employed as Managing Director for a period of four years. Although the service period requirement has been met, the options have not been exercised.

NOTE 3

These PRs are convertible to ordinary shares on a 1:1 basis, with 40% subject to the Funds Under Management (FUM) growth vesting condition.

FUM growth is measured as the total of the following during the performance period:

- the purchase price (ex GST) of land acquired by a Peet syndicate or Joint Venture; or
- the market value (ex GST) of land for which Peet has been appointed development manager at the time of its appointment; or
- the selling price (ex GST) of land sold by Peet, a Syndicate, a Joint Venture or Peet-managed project to a third party and Peet is appointed the development manager (and where applicable, to manage the leasing) of a commercial, industrial, retail or residential built-form project on that property; or
- in all other property funds management-related transactions, as determined by the Board of Directors.

The aggregate of the FUM growth during the relevant performance period is reduced by the equity interest retained by the Group and is then compared to the rolling three-year FUM growth target set by the Board.

Of the PRs subject to FUM growth, the proportion to vest will be as follows:

Performance level	Aggregate FUM growth target during performance period	Proportion of performance rights that may be eligible to vest
Less than the target	Less than $60 million	0%
Target	$60 million	50%
Target – medium	$60 million to $100 million	Pro-rata between 50% and 70%
Medium – maximum	$100 million to $150 million	Pro-rata between 70% and 100%
Maximum	Greater than $150 million	100%

The Group achieved FUM growth of $230.7 million for the three-year performance period ended 30 June 2018. Accordingly, the performance condition was fully met and on 21 August 2018 the Directors resolved that 100% of the FY16 PRs thereto vested.

The FY17, FY18 and FY19 PRs remain unvested.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

NOTE 4

These PRs are convertible to ordinary shares on a 1:1 basis, with 60% subject to the ROCE vesting condition, measured over a three-year period from 1 July 2015 to 30 June 2018 ("FY16 Performance Period") and 1 July 2016 to 30 June 2019 ("FY17 Performance Period"), respectively.

ROCE is measured as the average of the below formula calculated on an annual basis over the relevant Performance Period:

$$\frac{\text{EBIT}}{\text{Average (Capital Employed)}}$$

Where:
EBIT means the earnings before interest, tax, write-downs of inventories and development costs and increases in the carrying value of inventories for the relevant financial year.

Profits from associates are to be grossed up so as to be an EBIT equivalent.

Capital Employed means the sum of (bank debt, corporate bonds, contributed equity, minority interests and retained earnings and less cash) at the start and end of the relevant financial year.

Peet syndicates which are treated as subsidiaries under accounting standards will be treated as syndicates in the calculation of ROCE.

Of the FY16 PRs subject to ROCE, the proportion to vest will be as follows:

Performance level	Proportion of performance rights that may be eligible to vest
Less than 75% of the target	0%
75% of the target	30%
75% to 85% of the target	Pro-rata between 30% and 50%
85% to 100% of the target	Pro-rata between 50% and 70%
100% to 110% of the target	Pro-rata between 70% and 100%
Greater than 110% of the target	100%

The Group achieved underlying ROCE of 13.75% against the target of 12.93% for the three-year performance period ended 30 June 2018. Accordingly, the ROCE performance condition attached to the FY16 PRs was partially met and on 21 August 2018 the Directors resolved that 89.1% of the FY16 PRs relating thereto vested.

Of the FY17 PRs subject to ROCE, the proportion to vest will be as follows:

Performance level	Proportion of performance rights that may be eligible to vest
Less than 90% of the target	0%
90% of the target	30%
90% to 95% of the target	Pro-rata between 30% and 50%
95% to 100% of the target	Pro-rata between 50% and 65%
100% to 105% of the target	Pro-rata between 65% and 100%
Greater than 105% of the target	100%

The FY17 PRs remain unvested.

NOTE 5

These PRs are convertible to ordinary shares on a 1:1 basis, with 60% subject to the EPS growth vesting condition, measured over a three-year period from 1 July 2017 to 30 June 2020 ("FY18 Performance Period") and 1 July 2018 to 30 June 2021 ("FY19 Performance Period"), respectively.

The EPS growth condition will be measured as the average growth in operating EPS over the relevant Performance Period, with the EPS derived for the previous financial year as the base year.

The earnings component of EPS is calculated as net profit measured in accordance with Australian Accounting Standards, excluding write-downs of inventories and development costs and increases in the carrying value of inventories during the relevant financial year, and is subject to other adjustments at the Board's discretion.

EPS growth is then compared to the Board's internal target EPS growth for the FY18 Performance Period and the FY19 Performance Period, respectively.

Of the PRs subject to EPS growth, the proportion to vest will be as follows:

Performance level	**Proportion of performance rights that may be eligible to vest**
Less than 80% of the EPS growth target	0%
80% of the EPS growth target	50%
80% to 100% of the EPS growth target	Pro-rata between 50% and 80%
100% to 120% of the EPS growth target	Pro-rata between 80% and 100%
Greater than 120% of the EPS growth target	100%

The FY18 and FY19 PRs remain unvested.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

Option and performance rights holdings

The number of options and PRs over unissued ordinary shares in the Company held during the financial year by the KMP of the Group, including their personally-related entities, is set out below. When exercisable, each option and PR is convertible into one ordinary share of Peet Limited.

	Balance at the start of the year	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year[1]	Balance at end of the year	Vested and exercisable at the end of the year
DIRECTORS						
A W Lennon	–	–	–	–	–	–
T J Allen	–	–	–	–	–	–
V Krause	–	–	–	–	–	–
R J McKinnon	–	–	–	–	–	–
A J Lennon	–	–	–	–	–	–
B D Gore	4,067,481	870,288	(866,771)	(61,249)	4,009,749	1,200,000
OTHER KEY MANAGEMENT PERSONNEL						
P J Dumas	890,256	270,195	–	(19,016)	1,141,435	269,103
D Scafetta	535,377	162,488	(161,831)	(11,436)	524,598	–
B C Fullarton	673,046	204,271	(203,446)	(14,376)	659,495	–

1 Includes performance rights for which performance conditions were not met for the performance period.

During the year ended 30 June 2019, 1,501,151 PRs (2018: 1,204,578) had vested and 1,232,048 (2018: 1,204,578) were exercised by KMP at $ Nil exercise price. In order to settle the PRs exercised during year ended 30 June 2019, the Company purchased ordinary shares in the Company on-market on behalf of KMP.

Since 30 June 2019, no PRs were vested. No other options and PRs have been issued. Refer note 25 of the financial report for the total options and PRs outstanding.

E. ADDITIONAL INFORMATION

Performance of Peet Limited

The overall level of executive compensation takes into account the performance of the Group. STI is generally based on an assessment of performance over a 12-month period, while LTI is generally assessed over a three-year period. The high-level performance of the Group over the last five years is compared below:

		2015	2016	2017	2018	2019
Net profit after tax (NPAT)	$'000	38,460	42,592	44,792	49,112	47,549
NPAT growth	Growth%	27.0%	10.7%	5.2%	9.6%	(3.2%)
Net operating profit after tax (NOPAT)	$'000	38,460	42,592	44,792	49,112	47,549
NOPAT growth	Growth%	21.9%	10.7%	5.2%	9.6%	(3.2%)
Basic EPS	cents per share	8.26	8.70	9.14	10.02	9.79
Basic EPS growth	Growth%	18.0%	5.3%	5.1%	9.6%	(2.3%)
Operating EPS	cents per share	8.26	8.70	9.14	10.02	9.79
Operating EPS growth	Growth%	13.2%	5.3%	5.1%	9.6%	(2.3%)
Dividends paid/payable	cents per share	4.5	4.5	4.75	5.00	5.00
Share price 30 June	$	1.15	0.94	1.20	1.32	1.12
Share price growth	Growth%	(14.8%)	(18.3%)	27.7%	10%	(15.1%)

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of remuneration: cash bonuses, options and PRs

For each cash bonus, grant of options and/or PRs included in the tables within the remuneration report, the percentage of the available bonus or grant that was paid, or that vested and the percentage that was forfeited because the person did not meet the service and performance criteria, is set out below. Generally, no part of the bonuses forfeited is payable in future years. Subject to the rules of the PESOP and PPRP no options or PRs will vest if the conditions are not satisfied, subject to the discretion of the Board, hence the minimum value of the option and PRs yet to vest is nil. The maximum value of the options and PRs yet to vest has been determined as the amount of the grant date fair value of the options and PRs that is yet to be expensed.

	Cash Bonus		Options & Performance Rights				
	Paid/ payable %	Forfeited / deferred %	Financial year Granted	Vested[1] %	Forfeited[1,2] %	Financial years in which options/PRs may vest	Maximum total value of grant yet to expense $
DIRECTORS							
A W Lennon	–	–	–	–	–	–	–
T J Allen	–	–	–	–	–	–	–
V Krause	–	–	–	–	–	–	–
R J McKinnon	–	–	–	–	–	–	–
A J Lennon	–	–	–	–	–	–	–
B D Gore	79%	21%	2019	–	–	2021	736,339
			2018	–	–	2020	851,780
			2017	–	–	2019	–
			2016	93.4%	6.6%	2019	–
OTHER KEY MANAGEMENT PERSONNEL							
P J Dumas	71%	29%	2019	–	–	2021	228,608
			2018	–	–	2020	258,674
			2017	–	–	2019	–
			2016	93.4%	6.6%	2019	–
D Scafetta	79%	21%	2019	–	–	2021	167,999
			2018	–	–	2020	155,560
			2017	–	–	2019	–
			2016	93.4%	6.6%	2019	–
B C Fullarton	75%	25%	2019	–	–	2021	172,831
			2018	–	–	2020	195,561
			2017	–	–	2019	–
			2016	93.4%	6.6%	2019	–

1 Includes performance rights for which performance conditions were met for the performance period ended 30 June 2018 and confirmed by the Directors after balance date.
2 Includes performance rights for which performance conditions were not met for the performance period.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

Further details relating to options and/or PRs, either granted, exercised or lapsed during the year, are set out below. The amounts below are calculated in accordance with Australian Accounting Standards. The KMPs exercised 1,232,048 PRs over shares in the Company and received shares in the Company during the 2019 financial year. Please refer to previous pages of the Remuneration Report for commentary on vesting conditions met during the performance period ended 30 June 2019.

	Remuneration consisting of options & performance rights[1]	Value of options & performance rights granted[2]	Value of options & performance rights exercised[3]
DIRECTORS			
B D Gore	12%	818,071	844,234
OTHER KEY MANAGEMENT PERSONNEL			
P J Dumas	10%	253,983	-
D Scafetta	9%	152,739	154,873
B C Fullarton	9%	192,015	194,698

1 The percentage of the value of remuneration consisting of options and PRs, based on the value of options and PRs expensed during the current year.
2 The value at grant date calculated in accordance with AASB 2 Share-based payments of options and/or PRs granted during the year as part of remuneration.
3 The value at exercise date of options and/or PRs that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options and/or PRs at that date.

Loans to directors and other key management personnel

There were no loans made to KMP, or their personally-related entities, during the financial year.

Voting and comments made at the Company's 2018 annual general meeting

The instructions given to validly appointed proxies in respect of the resolution pertaining to the Company's 2018 Remuneration Report were as follows:

For	Against	Proxy's discretion	Abstain
216,025,881	6,847,574	210,502	142,646
96.8%	3.1%	0.1%	

The motion was carried as an ordinary resolution on show of hands.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

Interests in the shares and bonds of the Company

	Shares				Bonds		
	Balance at the start of the year	Received during the year on exercise of PRs	Other changes during the year	Balance at the end of the year	Balance at the start of the year	Other changes during the year	Balance at the end of the year
DIRECTORS							
A W Lennon	97,314,685	–	–	97,314,685	4,875	–	4,875
T J Allen	92,054	–	–	92,054	5,114	(4,614)	500
V Krause	–	–	–	–	1,000	–	1,000
R J McKinnon	50,000	–	–	50,000	500	–	500
B D Gore	5,237,046	866,771	–	6,103,817	–	–	–
A J Lennon	1,331,344	–	–	1,331,344	500	–	500
OTHER KEY MANAGEMENT PERSONNEL							
P J Dumas	1,087,882	–	–	1,087,882	–	–	–
D Scafetta	1,118,158	161,831	–	1,279,989	–	–	–
B C Fullarton	400,404	203,446	–	603,850	–	–	–

Since 30 June 2019, no PRs were vested. No other options and PRs have been issued.

End of Remuneration report (audited)

14. INDEMNITY OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a Directors' and Officers' insurance policy that insures Directors and Officers of the Company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as such. The Directors have not included more specific details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and Officers' liability, as such disclosure is prohibited under the terms of the contract.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not apply to any loss in respect of any matters which are finally determined to have resulted from the auditors' negligent, wrongful or willful acts or omissions. No payment has been made to indemnify the auditors during or since the financial year.

15. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are considered important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

The fees that were paid or payable for services provided by the auditors of the Group, its related practices and non-related audit firms is set out in note 22 of the Financial Report.

16. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the Corporation Act 2001, is set out on page 61.

17. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Director's Report. Amounts in the Director's Report have been rounded off in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed for and on behalf of the Board in accordance with a resolution of the Board of Directors.

Brendan Gore

Managing Director and Chief Executive Officer
Perth, Western Australia
28 August 2019

Building a better working world

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Auditor's Independence Declaration to the Directors of Peet Limited

As lead auditor for the audit of the financial report of Peet Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Peet Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

G Lotter
Partner
28 August 2019

A copy of the Group's corporate governance policies and practices in place during the financial year ended 30 June 2019 is available at the following link: www.peet.com.au/corporate-governance-statement-2019

Unless otherwise stated, these are consistent with the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (released March 2014).

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CONTENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income	66
Consolidated Balance Sheet	67
Consolidated Statement of Changes in Equity	68
Consolidated Statement of Cash Flows	69
Notes to the Consolidated Financial Statements	70

This financial report covers the consolidated financial statements for the Group consisting of Peet Limited and its subsidiaries. The financial report is presented in Australian currency.
Peet Limited is a for profit company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 7, 200 St Georges Terrace, Perth WA 6000. The financial report was authorised for issue by the Directors on 28 August 2019. The Directors have the power to amend and reissue the financial report. Through the use of the internet, we have ensured that our corporate reporting is timely and complete.
All press releases, financial reports and other information are accessible via our website; www.peet.com.au

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Revenue	5	249,545	287,619
Expenses	6	(190,934)	(223,856)
Finance costs (net of capitalised borrowing costs)	6	(8,538)	(10,232)
Share of net profit of associates and joint ventures	10	13,329	14,081
Profit before income tax		**63,402**	**67,612**
Income tax expense	8	(16,052)	(18,972)
Profit for the year		**47,350**	**48,640**
Attributable to:			
Owners of Peet Limited		47,549	49,112
Non-controlling interests		(199)	(472)
		47,350	**48,640**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Realised losses on cash flow hedges transferred to profit or loss		631	3,129
Unrealised gains/(losses) on cash flow hedges		(1,560)	(862)
Income tax relating to components of other comprehensive income		279	(680)
Other comprehensive income for the year, net of tax		**(650)**	**1,587**
Total comprehensive income for the year		**46,700**	**50,227**
Attributable to:			
Owners of Peet Limited		46,899	50,699
Non-controlling interests		(199)	(472)
		46,700	**50,227**

Earnings per share for profit attributable to the ordinary equity holders of the Company

	Notes	Cents	Cents
Basic and diluted earnings per share	7	9.79	10.02

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents		33,606	76,749
Receivables	11	18,999	10,770
Contract assets	12	6,234	16,622
Inventories	9	105,750	119,259
Total current assets		**164,589**	**223,400**
Non-current assets			
Receivables	11	100,007	95,665
Inventories	9	412,919	375,540
Investments accounted for using the equity method	10	233,668	222,820
Property, plant and equipment		5,237	5,411
Intangible assets		5,704	6,087
Total non-current assets		**757,535**	**705,523**
Total assets		**922,124**	**928,923**
Current liabilities			
Payables	13	65,715	82,066
Land vendor liabilities	14	6,350	14,700
Borrowings	17	5,083	-
Derivative financial instruments	17	221	-
Current tax liabilities		8,915	15,398
Provisions	15	6,047	5,826
Total current liabilities		**92,331**	**117,990**
Non-current liabilities			
Land vendor liabilities	14	-	5,380
Borrowings	17	240,103	217,204
Derivative financial instruments	17	5,310	3,777
Deferred tax liabilities	8	24,213	32,844
Provisions	15	216	285
Total non-current liabilities		**269,842**	**259,490**
Total liabilities		**362,173**	**377,480**
Net assets		**559,951**	**551,443**
Equity			
Contributed equity	18	378,916	385,955
Reserves	18	(5,051)	3,397
Retained profits		168,722	150,871
Capital and reserves attributable to owners of Peet Limited		**542,587**	**540,223**
Non-controlling interest		17,364	11,220
Total equity		**559,951**	**551,443**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017		**385,955**	**1,417**	**126,258**	**513,630**	**11,692**	**525,322**
Profit for the year		–	–	49,112	49,112	(472)	48,640
Other comprehensive income		–	1,587	–	1,587	–	1,587
Total comprehensive income for the year		–	**1,587**	**49,112**	**50,699**	**(472)**	**50,227**
Vesting of performance rights		–	(1,883)	–	(1,883)	–	(1,883)
Share-based payments		–	2,276	–	2,276	–	2,276
Dividends paid		–	–	(24,499)	(24,499)	–	(24,499)
Balance at 30 June 2018		**385,955**	**3,397**	**150,871**	**540,223**	**11,220**	**551,443**

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018 – as previously reported		**385,955**	**3,397**	**150,871**	**540,223**	**11,220**	**551,443**
Effect of adopting new accounting standards (Note 2e)		–	–	(5,332)	(5,332)	–	(5,332)
Balance at 1 July 2018 – restated		**385,955**	**3,397**	**145,539**	**534,891**	**11,220**	**546,111**
Profit for the year		–	–	47,549	47,549	(199)	47,350
Non-reciprocal contribution to a controlled entity		–	(6,343)	–	(6,343)	6,343	–
Other comprehensive income		–	(650)	–	(650)	–	(650)
Total comprehensive income for the year		–	(6,993)	47,549	40,556	6,144	46,700
Share buyback, including transaction costs		(7,039)	–	–	(7,039)	–	(7,039)
Vesting of performance rights		–	(2,085)	–	(2,085)	–	(2,085)
Share-based payments		–	630	–	630	–	630
Dividends paid		–	–	(24,366)	(24,366)	–	(24,366)
Balance at 30 June 2019		378,916	(5,051)	168,722	542,587	17,364	559,951

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		269,825	325,252
Payments to suppliers and employees (inclusive of GST)		(186,511)	(183,177)
Payments for purchase of land held for sale		(58,501)	(50,690)
Interest and other finance costs paid		(21,134)	(18,983)
Distributions and dividends received from associates and joint ventures		12,280	10,185
Interest received		592	552
Income tax paid		(28,605)	(15,806)
Net cash (outflow)/inflow from operating activities	**20**	**(12,054)**	**67,333**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,812)	(2,252)
Payments for investment in associates and joint ventures		(6,365)	(8,725)
Proceeds from capital returns from associates and joint ventures		1,479	3,249
Loans to associates and joint ventures		(29,690)	(21,024)
Repayment of loans by associates and joint ventures		9,702	7,826
Net cash outflow from investing activities		**(26,686)**	**(20,926)**
Cash flows from financing activities			
Dividends paid		(24,366)	(24,499)
Repayment of borrowings		(48,500)	(108,129)
Proceeds from borrowings		1,926	25,598
Proceeds from issue of Peet bonds and notes (net of transaction costs)		73,576	49,005
Share buyback (including transaction costs)		(7,039)	-
Net cash outflow from financing activities		**(4,403)**	**(58,025)**
Net decrease in cash and cash equivalents		(43,143)	(11,618)
Cash and cash equivalents at the beginning of the year		76,749	88,367
Cash and cash equivalents at the end of the year		**33,606**	**76,749**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONTENTS

BASIS OF REPORTING 71
1. Reporting entity 71
2. Basis of preparation 71
3. How to read the annual report 74

PERFORMANCE FOR THE YEAR 75
4. Segment information 75
5. Revenue 77
6. Expenses 78
7. Earnings per share 78
8. Taxes 79

OPERATING ASSETS AND LIABILITIES 82
9. Inventories 82
10. Investments accounted for using the equity method 82
11. Receivables 85
12. Contract assets 85
13. Payables 86
14. Land vendor liabilities 86
15. Provisions 86
16. Interests in joint operations 87

CAPITAL MANAGEMENT 88
17. Borrowings and derivative financial instruments 88
18. Contributed equity and reserves 92
19. Dividends 93
20. Reconciliation of profit after income tax to net cash inflow from operating activities 93
21. Fair value measurement 94

OTHER NOTES 95
22. Remuneration of auditors 95
23. Contingencies and commitments 95
24. Parent entity financial information and subsidiaries 96
25. Share-based payments 99
26. Matters subsequent to the end of the financial year 101
27. Other accounting policies 101

BASIS OF REPORTING

This section of the financial report sets out the basis of preparation of the consolidated financial statements. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

1. REPORTING ENTITY

This financial report covers the consolidated financial statements for the Consolidated Entity consisting of Peet Limited and its subsidiaries (Group). The Financial Report is presented in the Australian currency. Peet Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is; Level 7, 200 St Georges Terrace, Perth WA 6000. The nature of the operations and principal activities of the Group are described in the Directors' Report. Peet Limited is a for-profit entity.

2. BASIS OF PREPARATION

The Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001;
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared under the historical cost convention, except for derivative instruments and certain financial assets which have been measured at fair value;
- provides comparative information in respect of the previous period; and
- is rounded off to the nearest thousand dollars or in certain cases to the nearest dollar in accordance with ASIC Corporations Instrument 2016/191.

a. Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and the entities it controlled at the end of, or during the year ended 30 June 2019. The Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

b. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the case of syndicates, significant influence can exist with a lower shareholding by virtue of the Group's position as project manager. Investments in associates are accounted for using the equity method of accounting, after i nitially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses are recognised in the consolidated statement of profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. BASIS OF PREPARATION (CONTINUED)

c. Investments in joint arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Group recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- share of revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Group's share of the net assets of the venture.

d. Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a gain or loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Peet Limited.

e. Changes in accounting policies

The accounting policies adopted in the preparation of the financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018, except for changes arising from the adoption of new accounting standards effective as at 1 July 2018. The Group has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective (refer note 27(x)).

The Group applies, for the first time, AASB 15 Revenue from Contracts with Customers ("AASB 15") and AASB 9 Financial Instruments ("AASB 9"). The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the Group.

(a) AASB 15

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted AASB 15 as of 1 July 2018 using the full retrospective method of adoption. Under this approach, the Group has elected to apply the standard only to contracts that are not completed contracts at the beginning of the comparative period being 1 July 2017.

Impact of adoption

Other than a balance sheet reclassification adjustment relating to the presentation of contract assets and liabilities, the impact of AASB 15 on the Group for the year ended 30 June 2019 is immaterial.

In accordance with AASB 15, when either party to a contract has performed, the Group is required to present the contract in the Consolidated Balance Sheet as a contract asset or contract liability depending on the relationship between the Group's performance and the customer's payment. The Group is obliged to present any unconditional right to payment as a receivable. Contract assets are considered to be unconditional if the right to receive payment is only conditional on the passage of time. Accordingly, a contract asset is recognised for the earned consideration that is conditional. Under AASB 118, amounts due from customers were previously included in receivables.

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2. BASIS OF PREPARATION (CONTINUED)

e. Changes in accounting policies (continued)

The impact of the application of AASB 15 is analysed by financial statement line items below.

	At 1 July 2017	AASB 15 reclassification	Restated 1 July 2017	At 1 July 2018	Restated 1 July 2018	At 1 July 2018
Receivables	53,319	(25,005)	28,314	27,392	(16,622)	10,770
Contract assets	–	25,005	25,005	–	16,622	16,622
Total current assets	**53,319**	–	**53,319**	**27,392**	–	**27,392**

(b)AASB 9

AASB 9 replaces aspects of AASB 139 Financial Instruments ("AASB 139") that relate to the recognition, classification and measurement of financial assets and financial liabilities, including derecognition, impairment and hedge accounting. AASB 9 also amends other standards dealing with financial instruments such as AASB 7 Financial Instruments: Disclosures.

The Group applied AASB 9 with the initial application date being 1 July 2018. The Group has not restated comparative information which continues to be reported under AASB 139. Differences arising from the adoption of AASB 9 have been recognised directly in retained earnings. The nature of the adjustments is described below:

Classification and measurement

Under AASB 9 debt instruments are measured at fair value through profit or loss, amortised cost or fair value through other comprehensive income (OCI). The classification is based on two criterion: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was done on the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the financial asset.

Under AASB 139 all financial assets were classified as loans and receivables carried at amortised cost. Under AASB 9 with the exception of certain loans to associates and joint ventures, all financial assets are classified as financial assets at amortised cost. Under AASB 9, certain loans to associates and joint ventures did not meet the criteria to be classified at amortised cost in accordance with AASB 9 because the cash flows do not represent payments of principal and interest solely and will be reclassified from loans and receivables carried at amortised cost under AASB 139 to financial assets at fair value through profit and loss under AASB 9. There were no changes in the classification of the Group's financial liabilities. The change in classification of the Group's financial assets has resulted in a measurement adjustment of $4.9 million arising on adoption of AASB 9 which has been reflected as an adjustment to opening retained earnings of $3.4 million (net of tax) at 1 July 2018.

Impairment

AASB 9 also changes the accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECL for all debt instruments not held at fair value through profit and loss. For trade receivables and contract assets, the Group has applied AASB 9's simplified approach and has calculated the expected credit loss based on lifetime expected credit losses. In this regard, the Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

As at 1 July 2018, the Group reviewed and assessed the existing financial assets carried at amortised cost for impairment using reasonable and supportable information. For cash and cash equivalents, all balances were assessed as having low credit risk as they are either on demand or short-term deposits held with reputable financial institutions. Whilst no trade receivables and contract assets were in default at the date of initial application, the Group has recognised additional impairment on the Group's financial assets carried at amortised cost of $2.8 million which resulted in a reduction in retained earnings of $1.9 million (net of tax) at 1 July 2018.

2. BASIS OF PREPARATION (CONTINUED)

e. Changes in accounting policies (continued)

Hedge accounting

The new hedge accounting rules align the accounting for hedging instruments more closely to the Group's financial risk management practices. The interest rate swaps in place at 30 June 2019 designated as cash flow hedges under AASB 139 qualify as cash flow hedges under AASB 9 and accordingly are treated as continuing hedges under AASB 9.

The impact of the application of AASB 9 is illustrated below.

	At 1 July 2017	AASB 9 reclassification	AASB 9 measurement	Restated 1 July 2018
Loans to associates and joint ventures	86,996	(86,996)	–	–
Loans to associates and joint ventures – amortised cost	–	42,288	(2,766)	39,522
Loans to associates and joint ventures – fair value	–	44,708	(4,852)	39,856
Other receivables	8,669	–	–	8,669
Receivables (non-current)	**95,665**	**–**	**(7,618)**	**88,047**
Deferred tax asset	**12,825**	**–**	**2,285**	**15,110**
Opening retained profits	**150,871**	**–**	**(5,332)**	**145,539**

3. HOW TO READ THE ANNUAL REPORT

The notes to the financial statements are set out in four specific sections:

- Performance for the year;
- Operating assets and liabilities;
- Capital management; and
- Other notes.

Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

Key estimates are described in the following notes:

- Note 5 – sales fall over rates on project management and selling fees;
- Note 8 – deferred tax assets; and
- Note 9 – net realisable value.

Financial risks and its management are detailed in the respective notes it pertains to. The Group's activities expose it to financial risks including:

- credit risk (note 11 and 17);
- liquidity risk (note 17); and
- interest rate risk (note 17).

Related party transactions are disclosed within the notes they relate to. Transactions which occur between the Group and significant controlled entities are classified as related party transactions. Significant controlled entities are interests held in associates and joint ventures, which are set out in note 10. Details relating to the key management personnel, including remuneration paid, are set out in note 6.

PERFORMANCE FOR THE YEAR

This section focuses on the results and performance of the Group.

4. SEGMENT INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management group.

The executive management group assesses the performance of the operating segments based on multiple measures including earnings before interest (including interest and finance charges amortised through cost of sales), tax, depreciation and amortisation ("EBITDA"), earnings before interest (including interest and finance charges amortised through cost of sales) and tax ("EBIT") and profit after tax.

The share of profits from associates and joint ventures is included as segment revenue as it is treated as revenue for internal reporting purposes.

The Group operates only in Australia.

The executive management group considers the business to have the following reportable business segments:

Funds management

Peet enters into asset and funds management agreements with external capital providers. Peet and/or the external capital provider commit equity funds towards the acquisition of land and this is generally supplemented with debt funds either at the time of acquisition or during the development phase of a project.

The Group derives fees from underwriting, capital raising and asset identification services. Ongoing project related fees (mainly project management and selling fees as well as performance fees) are then derived by the Group for the duration of a particular project.

Company-owned projects

The Group acquires parcels of land in Australia, primarily for residential development purposes. Certain land holdings will also produce non-residential blocks of land.

Joint arrangements

Joint arrangements are entered into with government, statutory authorities and private landowners. The form of these arrangements can vary from project to project but generally involves Peet undertaking the development of land on behalf of the landowner or in conjunction with the co-owner. The Group is typically entitled to ongoing fees for management of the development project and also a share of the profits.

Inter-segment transfers and other unallocated

Segment revenue, expenses and results include transfers between segments. Such transfers are based on an arm's length basis and are eliminated on consolidation.

The adoption of AASB 10 Consolidated Financial Statements from 1 July 2013, resulted in certain property syndicates being consolidated. These entities however, continue to be managed and reported to the executive management group as part of the funds management business segment. Adjustments are included in "Inter-segment transfers and other unallocated" to reconcile reportable business segment information to the Group's consolidated statement of profit or loss.

4. SEGMENT INFORMATION (CONTINUED)

	Funds management		Company-owned projects		Joint arrangements		Inter-segment transfers and other unallocated		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment										
Sales to external parties	26,132	35,009	179,960	197,844	38,781	46,025	2,948	5,129	247,821	284,007
Other revenue	242	176	1,122	2,108	18	877	342	451	1,724	3,612
Share of net profit of associates and JVs	7,900	5,528	-	-	5,036	8,277	393	276	13,329	14,081
Total	**34,274**	**40,713**	**181,082**	**199,952**	**43,835**	**55,179**	**3,683**	**5,856**	**262,874**	**301,700**
Corporate overheads							**(11,016)**	**(11,094)**	**(11,016)**	**(11,094)**
EBITDA[1]	**24,432**	**28,341**	**58,496**	**67,225**	**13,702**	**16,589**	**(10,644)**	**(10,858)**	**85,986**	**101,297**
Depreciation and amortisation	(50)	(50)	(495)	(1,700)	(68)	(155)	(1,722)	(1,863)	(2,335)	(3,768)
Segment result (EBIT[2])	**24,382**	**28,291**	**58,001**	**65,525**	**13,634**	**16,434**	**(12,366)**	**(12,721)**	**83,651**	**97,529**
Financing costs (includes interest and finance costs expensed through cost of sales)									(20,249)	(29,917)
Profit before income tax									**63,402**	**67,612**
Income tax expense									(16,052)	(18,972)
Profit for the year									**47,350**	**48,640**
Loss attributable to non-controlling interests									199	472
Profit attributable to owners of Peet Limited									**47,549**	**49,112**

1 EBITDA: Earnings Before Interest (including interest and finance charges amortised through cost of sales), Tax, Depreciation and Amortisation.
2 EBIT: Earnings Before Interest (including interest and finance charges amortised through cost of sales) and Tax.

5. REVENUE

	2019 $'000	2018 $'000
Revenue from contracts with customers		
• sales of land and built form	214,032	240,360
• project management and selling services	33,789	43,647
• other revenue	1,724	3,612
	249,545	**287,619**

Recognition and measurement

The main streams of revenue recognised by the Group relate to the sale of land and the provision of management and selling services. Revenue from contracts with customers is recognised when or as the Group transfers control of the goods and services to a customer at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for those goods and services. Revenue is recognised when or as each performance obligation is satisfied at the amount of the transaction price allocated to that performance obligation. If the consideration in the contract includes a variable amount, the Group estimates the amount of the consideration to which it is entitled in exchange for transferring the goods and services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal of the amount of the cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, the Group presents the contract as a contract asset, unless the Group's rights to the amount of consideration are unconditional, in which case the Group recognises a receivable.

The Group recognises contract fulfilment costs as an asset only if the costs relate directly to a contract, the costs generate or enhance resources of the Group that will be used to satisfy future performance obligations and the costs are expected to be recovered. If not capitalised, contract fulfilment costs are expensed as incurred.

Sale of land and built form

Revenue from the sale of land and built form is recognised on settlement of the sale. This represents the point when control (title) has passed to the customer.

Project management

Project management represents a single performance obligation that is satisfied over time for the oversight and management of the development. The consideration receivable under the contract allocated to project management is variable and is measured using an expected value approach subject to a constraint. The transaction price is based on the relative standalone selling price. Revenue is recognised using an output method based on development milestones reached. Payment is received on settlement.

Selling services

A sale service represents a performance obligation to facilitate the sale of an individual lot which is satisfied over the short period of time relating to the procedural steps of finalising the sale of the property to a purchaser. The consideration receivable under the contract allocated to selling services is considered to be variable consideration and is measured on a portfolio basis using an expected value approach subject to a constraint. The transaction price is based on the relative standalone selling price. Payment is received on settlement.

Key estimates

Constraints on selling fees

An analysis of sales fallen over is performed on a monthly basis for all business segments by location. This analysis is used to determine an appropriate constraint for revenue recognised against selling fees.

Percentage completion

An analysis of development milestones is performed to determine an appropriate percentage of completion for completed lots.

Revenue from related parties included above:

	2019 $'000	2018 $'000
Revenue from related parties[1]		
Associates		
Project management and selling services	23,630	32,017
Syndicate administration services	1,505	1,336
Joint arrangements		
Project management and selling services	3,738	5,158
	28,873	38,511

1 Refer to note 3 for information on related party transactions.

6. EXPENSES

	2019 $'000	2018 $'000
Profit before income tax includes the following specific expenses:		
Land and development costs	110,268	128,617
Amortised interest and finance expense	11,711	19,685
Total land and development cost	**121,979**	**148,302**
Depreciation	1,233	2,604
Amortisation	1,102	1,164
Total depreciation and amortisation[1]	**2,335**	**3,768**
Employee benefits expense[2]	31,459	34,166
Project management, selling and other operating costs	16,763	18,923
Other expenses	18,398	18,697
Total other expenses	**66,620**	**71,786**
Total expenses	**190,934**	**223,856**
Finance costs		
Interest and finance charges paid/payable	10,151	10,364
Interest on corporate bonds	12,609	11,275
Amount capitalised	(14,222)	(11,407)
	8,538	**10,232**

1. Refer to note 27 (iii) and (iv) for accounting policies.
2. Refer to note 27 (v) and (vi) for accounting policies.

Related party expenses

	2019 $'000	2018 $'000
KMP remuneration[1]		
Short-term employee benefits	4,117	4,366
Post-employment benefits	158	150
Share-based payments	411	1,686
	4,686	**6,202**

1. Refer to note 3 for information about related party transactions.

Land and development costs

Land and development costs represent the portion of the land and development costs associated with the lots sold during the year (cost of sales).

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period they are incurred. The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year (refer note 17).

7. EARNINGS PER SHARE

	2019	2018
Profit attributable to the ordinary equity holders of the Company ($'000)	47,549	49,112
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	485,658,321	489,980,559
Basic and diluted earnings per share (cents)	9.79	10.02

There are 1,200,000 options excluded from the calculation of diluted earnings per share as they are anti-dilutive. They could potentially dilute basic earnings per share in the future.

Refer note 25 for the number of Performance Rights (PRs) outstanding at 30 June 2019. These PRs are contingently issuable shares and accordingly not included in diluted earnings per share.

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8. TAXES

a. Income tax expense

	2019 $'000	2018 $'000
Major components of tax expense		
Current income tax expense		
Current tax	18,165	27,144
Adjustments for prior periods	3,957	(638)
	22,122	**26,506**
Deferred income tax expense		
Deferred tax	(2,188)	(7,534)
Adjustments for prior periods	(3,882)	-
	(6,070)	**(7,534)**
	16,052	**18,972**

Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(4,627)	(2,747)
Decrease in deferred tax liabilities	(1,443)	(4,787)
	(6,070)	**(7,534)**

Tax reconciliation		
Profit before income tax	63,402	67,612
Tax at Australian tax rate of 30%	19,021	20,284

Tax effect of amounts which are not assessable or deductible:		
Share of net profit of associates	(1,035)	(913)
Employee benefits	(437)	118
Franking credits	(2,024)	(806)
Sundry items	527	289
	16,052	**18,972**

Recognition and measurement

Current taxes

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred taxes

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply, when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction by the end of the reporting period. The relevant tax rates are applied to the amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arise in a transaction other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Key estimates

Deferred tax assets

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, to satisfy certain tests at the time the losses are recouped.

8. TAXES (CONTINUED)

b. Deferred tax assets

	Inventory $'000	Cash flow hedges $'000	Receivables $'000	Tax losses $'000	Other $'000	Total $'000
At 1 July 2017	**3,352**	**1,183**	**–**	**2,692**	**3,531**	**10,758**
Credited/(charged):						
– to profit or loss	195	–	–	(465)	3,017	2,747
– to other comprehensive income	–	(680)	–	–	–	(680)
Total deferred tax assets	**3,547**	**503**	**–**	**2,227**	**6,548**	**12,825**
Set off against deferred tax liabilities pursuant to set off provisions						(12,825)
At 30 June 2018						**–**
At 1 July 2018	**3,547**	**503**	**–**	**2,227**	**6,548**	**12,825**
Effect of adoption of new accounting standards	–	–	2,285	–	–	2,285
Balance at 1 July 2018 (restated)	**3,547**	**503**	**2,285**	**2,227**	**6,548**	**15,110**
Credited/(charged):						
– to profit or loss	375	877	7,053	(1,710)	(1,968)	4,627
– to other comprehensive income	–	279	–	–	–	279
– directly to equity	–	–	–	–	(3)	(3)
Total deferred tax assets	**3,922**	**1,659**	**9,338**	**517**	**4,577**	**20,013**
Set off against deferred tax liabilities pursuant to set off provisions						(20,013)
At 30 June 2019						**–**

8. TAXES (CONTINUED)

Deferred tax liabilities

Movements	Interest and finance charges $'000	Accrued income $'000	Inventory $'000	Share of joint arrangements deferred tax liabilities $'000	Other $'000	Total $'000
At 1 July 2017	**28,547**	**6,518**	**12,012**	**3,224**	**155**	**50,456**
Charged/(credited):						
– to profit or loss	(2,935)	932	(2,675)	(109)	–	(4,787)
Total deferred tax liabilities	**25,612**	**7,450**	**9,337**	**3,115**	**155**	**45,669**
Set off against deferred tax assets pursuant to set off provisions						(12,825)
At 30 June 2018						**32,844**
At 1 July 2018	**25,612**	**7,450**	**9,337**	**3,115**	**155**	**45,669**
Charged/(credited):						
– to profit or loss	(3,689)	(4,909)	5,481	1,674	–	(1,443)
Total deferred tax liabilities	**21,923**	**2,541**	**14,818**	**4,789**	**155**	**44,226**
Set off against deferred tax liabilities pursuant to set off provisions						(20,013)
At 30 June 2019						**24,213**

OPERATING ASSETS AND LIABILITIES

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the capital management section.

9. INVENTORIES

	2019 $'000	2018 $'000
Current		
Cost of acquisition	27,990	28,659
Capitalised development costs	66,356	76,965
Capitalised finance costs	11,404	13,635
	105,750	**119,259**
Non-current		
Cost of acquisition	263,345	230,980
Capitalised development costs	83,648	82,329
Capitalised finance costs	65,926	62,231
	412,919	**375,540**
Total inventory at cost	**518,669**	**494,799**

Recognition and measurement

Land held for development and resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Land is initially classified as non-current. It is subsequently reclassified to current if the development/subdivided lots are expected to be sold within the next 12 months.

Key estimates

Net realisable value

The Group is required to carry inventory at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. The key assumptions require the use of management judgement and are reviewed annually.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates and joint ventures are accounted for using the equity method of accounting.

a. Movements in carrying amounts of investments in associates and joint ventures

	2019 $'000	2018 $'000
Carrying amount at 1 July	**222,820**	**213,448**
Acquisitions/additional investments	11,278	8,725
Dividends	(12,280)	(10,185)
Capital returns	(1,479)	(3,249)
Share of profit after income tax	13,329	14,081
Carrying amount at 30 June	**233,668**	**222,820**

The Group assesses, at each balance date, the carrying value of investments in associates and joint ventures to ensure the assets are not impaired.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

b. Investments in associates and joint ventures (JVs) including summarised financial information

As at 30 June 2019	Ownership %	Current assets $'000	Non-current assets $'000	Current liabilities $'000	Non-current liabilities $'000	Net assets $'000	Carrying value of interest in associate or joint venture $'000	Revenue $'000	Net profit/ (loss) after tax $'000	Share of profit/(loss) $'000
Associates										
Peet Alkimos Pty Limited, WA	33	8,967	399,865	117,575	32,578	258,679	71,534	8,624	(2,421)	(807)
Peet Werribee Land Syndicate, VIC	17	5,045	35,994	7,705	3,355	29,979	5,144	38,461	4,032	692
Peet Caboolture Syndicate Limited, QLD	20	16,092	40,516	3,979	28,815	23,814	8,240	17,031	497	99
Joint Ventures[1]										
Peet Flagstone City Pty Limited, QLD	50	7,850	168,931	54,149	2,822	119,810	59,905	35,536	5,724	2,862
Googong Township Unit Trust, NSW	50	41,613	118,776	4,999	42,000	113,390	56,695	49,896	10,236	5,118
Peet Golden Bay Pty Limited, WA	50	1,161	30,235	5,433	–	25,963	12,982	7,674	(74)	(37)
Peet Mt Barker Pty Limited, SA	50	3,418	30,725	13,459	436	20,248	10,124	13,659	237	119
Peet No.1895 Pty Limited, VIC	50	3,533	96,262	30,827	55,552	13,416	6,708	59,913	5,393	2,697
Peet Brabham Pty Ltd, WA	50	1,287	33,465	35,230	–	(478)	(239)	(82)	(474)	(237)
Other associates and JVs							2,575			2,823
Total							**233,668**			**13,329**

As at 30 June 2018	Ownership %	Current assets $'000	Non-current assets $'000	Current liabilities $'000	Non-current liabilities $'000	Net assets $'000	Carrying value of interest in associate or joint venture $'000	Revenue $'000	Net profit/ (loss) after tax $'000	Share of profit/(loss) $'000
Associates										
Peet Alkimos Pty Limited, WA	27	7,928	377,199	103,706	20,385	261,036	69,150	5,075	(2,594)	(708)
Peet Werribee Land Syndicate, VIC	17	2,134	43,728	5,934	11,202	28,726	4,929	44,245	6,317	1,084
Peet Caboolture Syndicate Limited, QLD	20	9,351	48,446	41,882	4,994	10,921	2,184	20,780	1,634	327
Joint Ventures[1]										
Peet Flagstone City Pty Limited, QLD	50	11,210	151,643	47,194	1,598	114,061	57,031	32,641	2,795	1,398
Googong Township Unit Trust, NSW	50	49,216	110,773	41,836	–	118,153	59,077	77,349	16,106	8,053
Peet Golden Bay Pty Limited, WA	50	3,319	30,038	5,320	–	28,037	14,019	7,991	415	208
Peet Mt Barker Pty Limited, SA	50	2,840	29,495	11,971	354	20,010	10,005	11,138	1,507	754
Peet No.1895 Pty Limited, VIC	50	7,200	107,617	48,868	57,729	8,220	4,110	15,872	2,599	1,300
Peet Brabham Pty Ltd, WA	50	3,503	30,419	33,932	–	(10)	(5)	4	(10)	(5)
Other associates and JVs							2,320			1,670
Total							**222,820**			**14,081**

1 Refer to note 10(c) for further breakdown of financial information of joint ventures.

The associates and joint ventures finance their operations through unitholder/shareholder contributions and also through external banking facilities. The Group also provides a loan facility to some of these entities which is disclosed in note 11. For Peet Alkimos Pty Ltd, the Group has agreed to defer payment of project management and selling fees to a future date. The Group has no further contractual obligations to provide ongoing financial support.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

c. Additional summarised information in relation to amounts included in assets, liabilities and profit/(loss) of joint ventures

As at 30 June 2019	Cash and cash equivalents $'000	Current financial liabilities[1] $'000	Non-current financial liabilities[1] $'000	Interest expense $'000	Income tax expense/ (benefit) $'000
Peet Flagstone City Pty Limited	7,058	48,360	–	–	2,496
Googong Township Unit Trust	4,125	–	42,000	–	(60)
Peet Golden Bay Pty Limited	3,198	–	–	–	(38)
Peet Mt Barker Pty Limited	2,841	7,000	–	–	735
Peet No. 1895 Pty Limited	3,205	–	77,724	–	4,028
Peet Brabham Pty Limited	20	–	35,103	–	–
As at 30 June 2018					
Peet Flagstone City Pty Limited	10,756	–	39,110	–	1,283
Googong Township Unit Trust	3,092	33,445	–	–	35
Peet Golden Bay Pty Limited	3,475	–	–	–	175
Peet Mt Barker Pty Limited	2,949	7,000	–	–	647
Peet No. 1895 Pty Limited	8,177	–	77,747	2	1,203
Peet Brabham Pty Limited	502	–	33,784	–	–

1 Excluding trade and other payables and provisions

11. RECEIVABLES

	2019 $'000	2018 $'000
Current		
Trade receivables[1]	8,444	9,517
Other receivables[1]	4,210	1,253
Loans to associates at fair value[2]	6,345	-
	18,999	**10,770**
Non-current		
Loans to associates and joint ventures[2]		
- Amortised cost	38,553	42,288
- ECL allowance[3]	(2,766)	-
Amortised cost (net of ECL allowance)	35,787	42,288
Fair value	55,184	44,708
Other receivables[4]	9,036	8,669
	100,007	**95,665**
Total receivables	**119,006**	**106,435**

1 Trade and other receivables are non-interest bearing and generally have 30-60 day terms. There were no past due or impaired trade receivables at the end of the year (2018: $Nil).
2 The Group has entered into financing arrangements (including loans and equity contributions in cash) with certain associates and JVs of the Group on commercial terms. The loans provided to associates and JVs are unsecured with interest rates based on Bank Bill Swap Bid Rate (BBSY) plus a margin up to 5%.
3 The ECL allowance is determined on a probability of default on a loan by loan basis.
4 Includes deferred facilities fee – Those that purchase homes in the Lattitude Lakelands retirement village enter into an agreement to pay deferred facilities fees on departure, which is based on 3% of the market value of the unit for each year of occupation (up to 24%). The deferred facilities fee is based on independent valuations.

Refer note 27(i) and 27(ii) for accounting policy on financial assets and note 21 for fair value disclosures.

Related party balances with associates and joint ventures included above:

	2019 $'000	2018 $'000
Current		
Trade receivables	2,927	1,791
Loans to associates	6,345	–
Non-current		
Loans to associates and joint ventures		
Amortised cost (net of ECL allowance)	35,787	42,288
Fair value	55,184	44,708
Other receivables	4,999	4,418
Total	**105,242**	**93,205**
Movements in loans to associates and joint ventures:		
Carrying amount at 1 July	**86,996**	**73,396**
Loans advanced	29,690	21,024
Loan repayments	(9,702)	(7,826)
AASB 9 remeasurement (refer to note 2(e))	(7,618)	–
Other	(2,050)	402
Carrying amount at 30 June	**97,316**	**86,996**

12. CONTRACT ASSETS

	2019 $'000	2018 $'000
Accrued Income	6,234	16,622
Total contract assets	**6,234**	**16,622**

These amounts represent project management and performance fees from associates and other managed entities. They are recognised for the earned consideration that is conditional under AASB 15. Refer note 5 for revenue related accounting policies.

The reduction in contract assets as at 30 June 2019 is a result of lower number of contracts on hand compared with contracts on hand as at 30 June 2018.

13. PAYABLES

	2019 $'000	2018 $'000
Current		
Trade payables	7,859	392
Advance from joint operators	11,214	19,433
GST payable	1,481	5,952
Accruals and other payables	45,161	56,289
	65,715	**82,066**

Recognition and measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

In some joint arrangement contracts, costs are reimbursed as incurred during development. As revenue is only recognised on settlements, reimbursements received are recognised as advance from joint operators until settlement.

Refer note 21 for fair value disclosures.

14. LAND VENDOR LIABILITIES

	2019 $'000	2018 $'000
Current		
Instalments for purchase of development property	6,350	14,700
	6,350	**14,700**
Non–current		
Instalments for purchase of development property	–	6,350
Future interest component of deferred payments	–	(970)
	–	**5,380**
Total land vendor liabilities	**6,350**	**20,080**

Recognition and measurement

Where the Group enters into unconditional contracts with land vendors to purchase properties for future development that contain deferred payment terms, these borrowings are initially measured at fair value and subsequently carried at amortised cost. The unwinding of the discount applied to the acquisition price is included in finance costs. Generally, the land vendor holds the title over the property until settlement has occurred.

Refer note 21 for fair value disclosures.

The below table analyses the maturity of the Group's land vendor liability obligation:

	2019 $'000	2018 $'000
0 – 1 years	6,350	14,700
1 – 2 years	-	6,350
Total contractual cash flows	**6,350**	**21,050**
Carrying amount of liabilities	**6,350**	**21,050**

15. PROVISIONS

	2019 $'000	2018 $'000
Current		
Rebates	2,812	2,778
Employee entitlements	3,235	3,048
	6,047	**5,826**
Non-current		
Employee entitlements	216	285
	216	**285**
Total provisions	**6,263**	**6,111**

Movements in the provision for rebates during the financial year are set out below:

	2019 $'000	2018 $'000
Carrying amount at 1 July	**2,778**	**3,138**
Charged/(credited) to the statement of profit or loss:		
- Additional provision recognised	1,238	2,079
- Paid during year	(1,204)	(2,439)
Carrying amount at 30 June	**2,812**	**2,778**

15. PROVISIONS (CONTINUED)

Recognition and measurement

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Rebates

The Group may be required under the terms of certain sale contracts to provide rebates for expenditures undertaken by land holders in respect of developments. These expenditures relate to landscaping and fencing and are generally payable where the land purchaser completes the construction of their dwelling within a specified period of time. This period is generally 12 to 18 months from the date of settlement. A liability is recorded for rebates at settlement and is measured at the amount of consideration receivable under the sales contract for which the Group does not expect to be entitled. The provision is updated at the end of each reporting period for changes in circumstances.

Employee entitlements

The liability for long service leave and annual leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of the employee, departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within 12 months of the balance date are measured at the amounts expected to be paid when the liabilities are settled.

16. INTERESTS IN JOINT OPERATIONS

Details of aggregate share of assets, liabilities, revenue, expenses and results of joint operations.

Group's share of:

	Total assets $'000	Total liabilities $'000	Revenue $'000	Expenses $'000
As at 30 June 2019				
The Village at Wellard, WA	14,341	2,441	10,612	7,177
Lightsview Joint Venture, SA	13,305	9,244	9,244	7,078
The Heights Durack, NT	9,879	6,819	2,286	2,088
Redbank Plains Joint Venture, QLD	25,936	6,578	7,494	5,916
As at 30 June 2018				
The Village at Wellard, WA	18,739	4,159	12,261	8,085
Lightsview Joint Venture, SA	16,078	13,184	9,758	8,649
The Heights Durack, NT	9,600	6,738	4,231	3,604
Redbank Plains Joint Venture, QLD	23,511	5,731	10,026	8,684

CAPITAL MANAGEMENT

This section outlines how the Group manages its capital and related financing costs.

For the purpose of the Group's capital management, capital includes:

- issued capital;
- debt facilities; and
- other equity reserves attributable to the equity holders of the parent.

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern;
- continue to provide returns to shareholders and benefits for other stakeholders;
- maintain an efficient capital structure to reduce the cost of capital; and
- ensure all covenants are complied with.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total interest-bearing liabilities (including deferred payment obligations) less cash, divided by total assets adjusted for market value, net of cash and cash equivalents less intangible assets. The market value is based on the latest independent mortgage valuations, adjusted for settlements, development costs and titled stock between the date of valuation and 30 June 2019. At 30 June 2019, the bank covenant gearing ratio was 25.8% (2018: 18.2%).

17. BORROWINGS AND DERIVATIVE FINANCIAL INSTRUMENTS

Net debt

	2019 $'000	2018 $'000
Borrowings – Current	5,083	–
Borrowings – Non-current	240,103	217,204
Total borrowings[1]	245,186	217,204
Cash and cash equivalents	(33,606)	(76,749)
Net debt	211,580	140,455

1 Excludes vendor financing. Refer note 14 for vendor financing on deferred payment terms.

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Refer note 21 for fair value disclosures.

Debt facilities

The following provides details of the loans and borrowings utilised as at 30 June 2019:

	Facility amount $'000	Utilised amount[1] $'000	Effective interest rate %
Bank loans – note a	179,000	23,187	6.0%

	Face value $'000	Carrying amount[2] $'000	Effective interest rate %
Peet bonds and notes – note b			
Series 1, Tranche 1	100,000	99,030	8.06
Series 2, Tranche 1	50,000	49,348	6.82
Peet notes	75,000	73,621	7.21
	225,000	**221,999**	

1 Excludes bank guarantees. Refer note 23 for bank guarantees information..
2 Net of transaction and finance costs.

17. BORROWINGS AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

a. Bank loans

The bank facilities are secured by a first registered fixed and floating charge over the assets and undertakings of the Group with a carrying amount of $687 million (2018: $700 million). Under these facilities the Group is required to meet bank covenants relating to interest cover, gearing ratio, real property ratio and minimum shareholders' equity. All bank covenants have been met during the reporting period and as at 30 June 2019.

The Group's main bank facility of $150 million was extended to 1 October 2022. The table below analyses the maturity of the Group's bank loans based on the remaining period at reporting date to the contractual maturity date:

	2019 $'000	2018 $'000
0 – 1 years	1,115	4,229
1 – 2 years	6,199	55,035
2 – 5 years	18,319	16,371
Total contractual cash flows	**25,633**	**75,635**
Carrying amount of liabilities	**23,187**	**69,456**

b. Peet bonds and notes

Peet bonds Series 1, Tranche 1

On 7 June 2016, Peet issued 1,000,000 Peet bonds with a face value of $100 per bond with a maturity date of 7 June 2021. These bonds are unsecured and interest-bearing at a fixed rate of interest of 7.5%.

Peet bonds Series 2, Tranche 1

On 5 July 2017, Peet issued 500,000 Bonds at a face value of $100 per bond with a maturity date of 5 October 2022. These bonds are unsecured and carry a floating interest rate of BBSW+ 4.65% margin.

Peet Notes

On 4 April 2019, Peet issued 75,000 notes to eligible professional and sophisticated investors at a face value of $1,000 per bond with a maturity date of 7 October 2024.These bonds are unsecured and carry a fixed interest rate of 6.75%.

The bonds and notes are presented in the balance sheet as follows:

	2019 $'000	2018 $'000
Face value of bonds and notes issued	225,000	150,000
Transaction costs	(4,669)	(3,245)
	220,331	**146,755**
Cumulative interest expense[1]	32,164	19,602
Cumulative coupon payable	(30,496)	(18,609)
	1,668	**993**
Non-current liability	**221,999**	**147,748**

1 Interest expense is calculated by applying the effective interest rate of 8.06% (Series 1), 6.82% (Series 2) (2018: 6.82%) and Notes 7.21% (2018: nil) to the liability component.

The bonds and notes are repayable as follows:

	2019 $'000	2018 $'000
0 – 1 years	15,751	10,680
1 – 2 years	15,743	10,689
2 – 5 years	243,654	164,438
Total contractual cash flows	**275,148**	**185,807**
Carrying amount of liabilities	**221,999**	**147,748**

c. Derivative financial instruments

	2019 $'000	2018 $'000
Current		
Interest rate swap contracts – cash flow hedges	221	–
Non-current		
Interest rate swap contracts – cash flow hedges	5,310	3,777
Total derivative financial instruments	**5,531**	**3,777**

The below table analyses the maturity of the Group's interest rate swaps on a net settled basis:

	2019 $'000	2018 $'000
0 – 1 years	221	
1 – 2 years	-	335
2 – 5 years	5,310	3,442
Total contractual cash flows	**5,531**	**3,777**
Carrying amount of liabilities	**5,531**	**3,777**

17. BORROWINGS AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate swap contracts – cash flow hedges

Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents how it will assess hedge effectiveness (including the analysis of sources of hedge ineffectiveness) and how the hedge ratio is determined. Hedge accounting is only applied where there is an economic relationship between the hedged item and hedging instrument and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedge reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. The ineffective portion is recognised in the statement of profit or loss immediately.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statement of profit or loss.

Bank loans of the Group currently bear a weighted average variable interest rate for the year before hedges of 1.81% (2018: 1.83%). It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently cover approximately 68.3% (2018: 83.7%) of the variable debt principal outstanding and are timed to expire as each loan repayment falls due. During the year fixed interest rate swaps range between 2.82% and 3.11% (2018: 2.83% and 3.11%) and the variable rates are between 1.42% and 2.01% (2018: 1.59% and 1.90%).

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The notional principal amounts and periods of expiry of the interest rate swap contracts were as follows:

	2019 $'000	2018 $'000
0 – 1 years	25,000	–
1 – 2 years	–	25,000
2 – 5 years	100,000	100,000
	125,000	**125,000**

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, otherwise current.

Liquidity risk

Liquidity risk includes the risk that the Group, as a result of their operations:

- will not have sufficient funds to settle a transaction on due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities to meet obligations when due, and the ability to close-out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available, and regularly updating and reviewing its cash flow forecasts to assist in managing its liquidity. The maturity analysis of the Group's derivative and non-derivative financial instruments can be located in their respective notes.

The Group has unused borrowing facilities which can further reduce liquidity risk (refer to note 17 for analysis of maturities on borrowing facilities).

17. BORROWINGS AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

The cash component of financial assets is considered to have low credit risk as the counterparties are banks with high credit ratings assigned by international credit-rating agencies. An expected credit loss provision of $2.8 million (2018: Nil) has been recognised for loans measured at amortised cost of $38.5 million (2018: $42.3 million) (refer to note 11 and 27).

Interest rate risk

The Group's main interest rate risk arises from cash, loans to associates and joint ventures measured at fair value and long-term borrowings.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at both fixed and floating rates.

Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group's fixed rate borrowings and certain loans to associates and joint ventures are carried at amortised cost. They are therefore not subject to interest rate risk.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates in existence at balance date, and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease used in the interest rate sensitivity analysis was determined based on the level of debt that was renewed and forecasters' economic expectations and represents management's assessment of the possible change in interest rates.

At 30 June 2019, the Group had the following mix of financial assets and liabilities exposed to variable interest rates:

	2019 $'000	2018 $'000
Financial assets		
Cash and cash equivalents (floating)	33,606	76,749
Loans to associates and joint ventures measured at fair value	55,184	44,708
Financial liabilities		
Borrowings (floating, unhedged)	(23,187)	(19,456)
Interest rate swap	(5,531)	(3,777)

The potential impact of a change in interest rates by +/-50 basis points on profit and equity has been tabulated below:

	Post-tax profits Increase/(decrease)		Equity Increase/(decrease)	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
– 50 basis points	(221)	(351)	(221)	(351)
+ 50 basis points	221	351	221	351

18. CONTRIBUTED EQUITY AND RESERVES

a. Movements in ordinary share capital

Date	Details	Number of shares	$'000
30 June 2017	Closing balance	489,980,559	385,955
	Movement for the year	-	-
30 June 2018	Closing balance	489,980,559	385,955
	Share buyback, including transaction costs	(6,680,070)	(7,039)
30 June 2019	Closing balance	483,300,489	378,916

The nature of the Group's contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares of options and/or performance rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, options and/or performance rights for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share held is entitled to one vote.

b. Reserves

	Cash flow hedge reserve[1]	Share-based payments reserve[2]	Non-controlling interest reserve[3]	Total
	$'000	$'000	$'000	$'000
At 1 July 2017	**(2,779)**	**13,300**	**(9,104)**	**1,417**
Cash flow hedges (gross)	2,267	-	-	**2,267**
Deferred tax	(680)	-	-	**(680)**
Share based payment	-	2,276	-	**2,276**
Vesting of performance rights[4]	-	(1,883)	-	**(1,883)**
At 30 June 2018	**(1,192)**	**13,693**	**(9,104)**	**3,397**
At 1 July 2018	(1,192)	13,693	(9,104)	**3,397**
Cash flow hedges (gross)	(929)	-	-	**(929)**
Deferred tax	279	-	-	**279**
Share based payment	-	630	-	**630**
Vesting of performance rights[5]	-	(2,085)	-	**(2,085)**
Transactions with non-controlling interests	-	-	(6,343)	**(6,343)**
At 30 June 2019	**(1,842)**	**12,238**	**(15,447)**	**(5,051)**

1 The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that is recognised directly in equity. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.
2 The share-based payments reserve is used to recognise the fair value of options and performance rights granted.
3 The non-controlling interest reserve is used to record the differences described in note 2(d) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.
4 In August 2017, the Company purchased 1,400,275 shares to settle the vesting of FY15 Performance Rights.
5 In August/September 2018, the Company purchased 1,711,425 shares to settle the vesting of FY16 Performance Rights.

19. DIVIDENDS

	2019 $'000	2018 $'000
Declared and paid during the period		
Prior year fully franked dividend 3.00 cents, paid on 5 October 2018 (2018: 3.00 cents)	14,699	14,699
Fully franked interim dividend for 2019: 2.00 cents (2018: 2.00 cents)	9,667	9,800
	24,366	**24,499**
Dividend not recognised at year end		
Final dividend 3.00 cents per share to be paid on 7 October 2019 (2018: 3.00 cents per share)	14,499	14,699
Franking credit balance		
Franking account balance as at the end of the financial year at 30% (2018: 30%)	55,017	35,840
Franking credits that will arise from the payment of income tax	8,915	15,398
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period	(6,214)	(6,300)
	57,718	**44,938**

20. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2019 $'000	2018 $'000
Profit after income tax	47,350	48,640
Add/(deduct) non cash items:		
Depreciation	1,233	2,604
Amortisation of intangible assets	1,102	1,164
Employee share-based payments	(1,455)	395
Equity accounting for investments in associates and joint ventures	(13,329)	(14,081)
Interest received	902	(157)
Peet bonds and notes effective interest rate adjustment	675	649
Add other items:		
Distributions and dividends from associates and joint ventures	12,280	10,185
Change in operating assets and liabilities during the financial year		
Decrease in receivables	5,537	24,541
(Increase)/decrease in inventories	(30,843)	197
(Decrease)/increase in tax liabilities	(6,483)	10,700
Decrease in payables	(23,108)	(9,637)
Increase/(decrease) in provisions	152	(333)
Decrease in deferred tax liabilities	(6,067)	(7,534)
Net cash (outflow)/inflow from operating activities	**(12,054)**	**67,333**

21. FAIR VALUE MEASUREMENT

Valuation of financial instruments

For financial assets and liabilities, the Group uses the following fair value measurement hierarchy:

- Level 1: the fair value is calculated using quoted prices in active markets for identical assets and liabilities.
- Level 2: the fair value is determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is based on inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value

The Group, upon adoption of AASB 9 Financial Instruments, have reclassified certain loans to associates and joint ventures from loans and receivables carried at amortised cost to financial assets carried at fair value through profit or loss. The fair values of these financial assets have been estimated using discounted cashflows with significant unobservable inputs at each reporting date (level 3 of the fair value hierarchy).

At 30 June 2019, the carrying amount and fair value of these loans to associates and joint ventures is $61.6 million and $58.3 million, respectively.

The Group measures its derivative financial liabilities at fair value at each reporting date. These derivatives are measured using significant observable inputs (level 2 of the fair value hierarchy). The fair value at 30 June 2019 is $5.5 million (30 June 2018: $3.8 million).

There have been no transfers between levels during the period.

Other financial instruments – fair value disclosures

Except for the Peet bonds and notes, the carrying value of financial liabilities is considered to approximate fair values.

The quoted market value (on ASX) as at 30 June 2019 of a Peet bond Series 1, Tranche 1 is $107.50 per bond and of a Peet bond Series 2, Tranche 1 is $105.75 per bond (Level 1).

The fair value of Peet Notes as at 30 June 2019 is $1,012.50 per note. These notes are measured using significant observable inputs (level 3 of the fair value hierarchy).

At 30 June 2019, the carrying value of Peet bonds and notes is $222.0 million (fair value $236.3 million).

Key estimates

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available for sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. Fair value of the Peet bonds is based on price quotations at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

- Interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs such as forward pricing and swap models.

- Receivables/borrowings are evaluated by the Group based on parameters such as interest rates and individual creditworthiness of the counter party. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

The carrying amount of trade receivables and payables less impairment provision of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

OTHER NOTES

22. REMUNERATION OF AUDITORS

	2019 $	2018 $
Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001		
Ernst & Young	357,200	367,450
Total remuneration for audit services	**357,200**	**367,450**
Other services		
Ernst & Young	29,454	21,423
Taxation services		
Tax compliance services including review of Company income tax returns		
Ernst & Young	125,800	217,762

23. CONTINGENCIES AND COMMITMENTS

Details of the estimated maximum amounts of contingent liabilities (for which no amounts are recognised in the financial statements) are as follows:

	2019 $'000	2018 $'000
Bank guarantees outstanding	21,128	24,585
Insurance bonds outstanding	20,526	18,680
	41,654	**43,265**

All contingent liabilities are expected to mature within 1 year.

At 30 June 2019, the Group had commitments of $34.0 million (2018: $40.3 million) to purchase lots from associates and joint ventures, at arms-length, to be on-sold to third party buyers through the Group's Peet Complete program.

The Directors are not aware of any circumstances or information, which would lead them to believe that these contingent liabilities will eventuate and consequently no provisions are included in the accounts in respect of these matters.

24. PARENT ENTITY FINANCIAL INFORMATION AND SUBSIDIARIES

a. Parent entity financial information

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2019 $'000	2018 $'000
Balance sheet		
Current assets	70,457	62,769
Total assets	584,023	588,705
Current liabilities	16,618	14,962
Total liabilities	159,192	113,754
Shareholders' equity		
Issued capital	378,917	385,955
Reserves		
Share-based payments reserve	12,239	13,693
Retained profits	33,675	75,303
Total equity	**424,831**	**474,951**
Profit/(loss) for the year	(14,083)	101,474
Total comprehensive income	**(14,083)**	**101,474**

Guarantees entered into by the parent entity

Details of the estimated maximum amounts of contingent liabilities (for which no amounts are recognised in the financial statements) are as follows:

	2019 $'000	2018 $'000
Bank guarantees outstanding	586	498

b. Subsidiaries

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 2(a):

	Holding	
	2019	2018
Name of Subsidiary	%	%
CIC Australia Pty Limited[1]	100	100
Peet Craigieburn Pty Limited[2]	100	100
Peet Greenvale No. 2 Pty Limited[2]	100	100
Peet Southern JV Pty Limited[2]	100	100
Peet Brigadoon Pty Limited[2]	100	100
Secure Living Pty Limited[2]	100	100
Peet No. 85 Pty Limited[2]	100	100
Peet No. 108 Pty Limited[2]	100	100
Peet No. 112 Pty Limited[2]	100	100
Peet No. 113 Pty Limited[2]	100	100
Peet Treasury Pty Limited[2]	100	100
Peet Estates (VIC) Pty Limited[2]	100	100
Peet Development Management Pty Limited[2]	100	100
Peet Estates (QLD) Pty Limited[2]	100	100
Peet No. 130 Pty Limited[2]	100	100
Peet Estates (WA) Pty Limited[2]	100	100
Peet Funds Management Limited[2]	100	100
Peet No. 119 Pty Limited[2]	100	100
Peet No. 125 Pty Limited[2]	100	100
Peet No. 126 Pty Limited[2]	100	100
Peet No. 73 Pty Limited[2]	100	100
Lakelands Retail Centre Development Pty Limited[2]	100	100
Peet Mt. Pleasant Pty Limited[2]	100	100
Peet No. 127 Pty Limited[2]	100	100
Peet Tonsley Pty Limited[2]	100	100
JTP Homes Pty Limited[2]	100	100
Peet Tonsley Apartments Pty Limited[2]	100	100
Peet Yanchep Land Syndicate[2]	66.4	66.4

1 Incorporated in ACT.
2 Incorporated in WA.

24. PARENT ENTITY FINANCIAL INFORMATION AND SUBSIDIARIES (CONTINUED)

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below. This information is based on amounts before inter-company eliminations.

	Peet Yanchep Land Syndicate	
	2019 $'000	2018 $'000
Current assets	5,941	5,661
Non-current assets	78,628	77,496
Current liabilities	1,645	1,463
Non-current liabilities	29,671	27,818
Non-controlling interest	17,893	18,100
Revenue	3,228	5,866
Profit or loss after tax	(624)	(412)
Loss attributable to non-controlling interest	199	138

Summarised cash flow information:

	Peet Yanchep Land Syndicate	
	2019 $'000	2018 $'000
Operating	(2,232)	(649)
Financing	1,926	259
Net outflow	**(306)**	**(390)**

Peet has provided loans to other partly-owned subsidiaries amounting to nil (2018: $7.6 million). The Group has no further contractual obligations to provide ongoing financial support.

24. PARENT ENTITY FINANCIAL INFORMATION AND SUBSIDIARIES (CONTINUED)

Deed of cross guarantee

Peet Limited and certain wholly-owned subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The companies represent a 'closed group' for the purposes of the Class Order.

	2019 $'000	2018 $'000
Consolidated statement of profit or loss		
Revenue	246,630	282,469
Expenses	(187,489)	(218,012)
Finance costs	(8,492)	(9,911)
Share of net profit of associates accounted for using the equity method	12,936	13,805
Profit before income tax	**63,585**	**68,351**
Income tax expense	(16,062)	(19,125)
Profit for the year	**47,523**	**49,226**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in the fair value of cash flow hedges	(929)	2,267
Income tax relating to components of other comprehensive income	279	(680)
Other comprehensive income for the year, net of tax	**(650)**	**1,587**
Total comprehensive income for the year	**46,873**	**50,813**
Summary of movement in consolidated retained profits		
Retained profits at the beginning of the financial year	152,575	127,848
Profit for the year	47,523	49,226
Dividends paid	(24,366)	(24,499)
AASB9 measurement	(7,618)	–
Retained profits at the end of the financial year	**168,114**	**152,575**

Consolidated balance sheet

Set out below is a consolidated balance sheet at 30 June 2019 of the closed group consisting of Peet Limited and certain wholly owned subsidiaries.

	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	33,330	76,178
Receivables	26,390	29,318
Inventories	99,890	115,062
Total current assets	**159,610**	**220,558**
Non-current assets		
Receivables	135,773	126,916
Inventories	319,684	298,044
Investments accounted for using the equity method	266,031	255,577
Property, plant and equipment	5,227	5,398
Intangible assets	5,700	6,082
Total non-current assets	**732,415**	**692,017**
Total assets	**892,025**	**912,575**
Current liabilities		
Payables	53,752	81,925
Land vendor liabilities	6,350	14,700
Borrowings	5,083	–
Current tax liabilities	8,981	14,061
Provisions	5,873	5,767
Total current liabilities	**80,039**	**116,453**
Non-current liabilities		
Land vendor liabilities	–	5,380
Borrowings	221,999	201,026
Derivative financial instruments	5,531	3,777
Deferred tax liabilities	27,425	35,234
Provisions	216	285
Total non-current liabilities	**255,171**	**245,702**
Total liabilities	**335,210**	**362,155**
Net assets	**556,815**	**550,420**
Equity		
Contributed equity	378,916	385,955
Reserves	9,785	11,890
Retained profits	168,114	152,575
Total equity	**556,815**	**550,420**

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25. SHARE-BASED PAYMENTS

Peet Employee Share Option Plan (PESOP) and Peet Performance Rights Plan (PPRP)

The establishment of the PESOP was approved by the Board and shareholders during the 2004 financial year and the Peet Limited PPRP was approved by shareholders at the 2008 AGM. Employees of any Group Company (including Executive Directors) will be eligible to participate in the PESOP and/or PPRP at the discretion of the Board.

Invitations to apply for options and/or performance rights

Eligible employees, at the discretion of the Board, may be invited to apply for options and/or performance rights on terms and conditions to be determined by the Board including as to:

- the method of calculation of the exercise price of each option;
- the number of options and/or performance rights being offered and the maximum number of shares over which each option and/or performance rights is granted;
- the period or periods during which any of the options and/or performance rights may be exercised;
- the dates and times when the options and/or performance rights lapse;
- the date and time by which the application for options and/or performance rights must be received by Peet;
- any applicable conditions which must be satisfied or circumstances which must exist before the options and/or performance rights may be exercised.

Eligible employees may apply for part of the options and/or performance rights offered to them, but only in specified multiples.

Consideration

Unless the Board determines otherwise, no payment will be required for a grant of options and/or performance rights under the PESOP and/or PPRP.

Vesting and exercise conditions

Under the plans, options and/or PRs only vest if the employees are still employed by the Group at the end of the vesting period, subject to the Board's discretion, and any set performance hurdles have been met.

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option and/or performance right must be satisfied. However, the Board has the discretion to enable an option and/or performance right holder to exercise options and/or performance rights where the exercise conditions have not been met, including, for example, where a court orders a meeting to be held in relation to a proposed compromise or arrangement in respect of the Company, or a resolution is passed or an order is made for winding up the Company. Options granted under the PESOP and performance rights under the PPRP carry no dividend or voting rights.

Lapse of options and performance rights

Unexercised options and/or performance rights will lapse upon the earlier to occur of a variety of events specified in the rules of the PESOP and PPRP including, on the date or in circumstances specified by the Board in the invitation, failure to meet the options' or performance rights' exercise conditions in the prescribed period or on the expiry date of options and/ or performance rights, as determined by the Board.

Fair value of options and performance rights granted

The fair value of an option and PRs at grant date is determined using a Black-Scholes option pricing model and the value of a performance right at grant date is determined using a Binomial pricing model. The models take into account the exercise price, the term of the option and/or performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option or performance right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option and/or performance right.

The inputs for assessing the fair value of the performance rights issued during the year under the PPRP were:

Grant Date	Exercise Price	Expiry date	Share price at grant date	Risk free interest rate	Assessed fair value
21 Nov 18	$0.00	21 Nov 33	$1.06	1.97%	$0.94

The expected price volatility is based on the historic volatility (based on the remaining life of the options and/or performance rights), adjusted for any expected changes to future volatility due to publicly available information.

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expense is $628,877 (2018: $2,276,087).

25. SHARE-BASED PAYMENTS (CONTINUED)

Set out below are summaries of options and performance rights granted under the plans:

Grant date	Expiry date	Exercise Price $	Assessed fair value $	Balance at 1 July	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Balance at 30 June	Exercisable at 30 June
30 June 2019									
Options									
30 Nov 07	N/A	$4.10	$1.12	1,200,000	–	–	–	1,200,000	1,200,000
Performance rights									
21 Nov 15	21 Nov 30	–	$0.974	928,020	–	(866,771)	(61,249)	–	–
21 Dec 15	21 Dec 30	–	$0.957	1,192,460	–	(844,655)	(78,702)	269,103	269,103
23 Nov 16	23 Nov 31	–	$0.801	1,065,114	–	–	–	1,065,114	–
21 Dec 16	21 Dec 31	–	$0.849	1,380,552	–	–	–	1,380,552	–
29 Nov 17	29 Nov 32	–	$1.328	874,347	–	–	–	874,347	–
5 Dec 17	5 Dec 32	–	$1.299	1,232,635	–	–	–	1,232,635	–
21 Nov 18	21 Nov 33	–	$0.940	–	2,097,201	–	–	2,097,201	–
				6,673,128	**2,097,201**	**(1,711,426)**	**(139,951)**	**6,918,952**	**269,103**
				7,873,128	**2,097,201**	**(1,711,426)**	**(139,951)**	**8,118,952**	**1,469,103**

Grant date	Expiry date	Exercise Price $	Assessed fair value $	Balance at 1 July	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Balance at 30 June	Exercisable at 30 June
30 June 2018									
Options									
30 Nov 07	N/A	$4.10	$1.12	1,200,000	–	–	–	1,200,000	1,200,000
Performance rights									
26 Nov 14	26 Nov 19	–	$1.065	833,897	–	(703,809)	(130,088)	–	–
22 Dec 14	22 Dec 19	–	$0.938	988,794	–	(834,543)	(154,251)	–	–
21 Nov 15	21 Nov 30	–	$0.974	928,020	–	–	–	928,020	–
21 Dec 15	21 Dec 30	–	$0.957	1,192,460	–	–	–	1,192,460	–
23 Nov 16	23 Nov 31	–	$0.801	1,065,114	–	–	–	1,065,114	–
21 Dec 16	21 Dec 31	–	$0.849	1,380,552	–	–	–	1,380,552	–
29 Nov 17	29 Nov 32	–	$1.328	–	874,347	–	–	874,347	–
5 Dec 17	5 Dec 32	–	$1.299	–	1,232,635	–	–	1,232,635	–
				6,388,837	**2,106,982**	**(1,538,352)**	**(284,339)**	**6,673,128**	–
Total				**7,588,837**	**2,106,982**	**(1,538,352)**	**(284,339)**	**7,873,128**	**1,200,000**

26. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors have declared a final fully franked dividend of 3.00 cents per share in respect to the year ended 30 June 2019. The dividend is to be paid on Monday, 7 October 2019, with a record date of Thursday, 19 September 2019. No provision has been made for this dividend in the financial report as the dividend was not declared or determined by the directors on or before the end of the financial year.

27. OTHER ACCOUNTING POLICIES

i. Financial assets – pre 1 July 2018

Recognition and derecognition

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the statement of profit or loss as gains or losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments classified as available for sale are not reversed through the statement of profit or loss.

ii. Financial assets – post 1 July 2018

The Group's new accounting policy for financial assets arising on adoption of AASB 9 and applied from 1 July 2018 is detailed below:

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to section 2.e(a) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

27. OTHER ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loans to associates and JVs included under Receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes loans to associates and joint ventures and derivative instruments.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

27. OTHER ACCOUNTING POLICIES (CONTINUED)

iii. Intangible assets

Intangible assets primarily consist of software and management rights. The management rights acquired by the Company are initially carried at cost. Amortisation is calculated based on the timing of projected cash flows of the management rights over their estimated useful lives.

- Management rights – 10 to 25 years

iv. Property, plant and equipment

Property, plant and equipment are shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Fixtures and fittings – 3 to 10 years
- Leasehold improvements – 10 years
- Property – 40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss.

v. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits because of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value.

vi. Retirement benefit obligations

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

vii. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

viii. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

ix. Parent entity financial information

Tax consolidation legislation

Peet Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. Peet Limited is the head entity of the tax consolidated group. Members of the group are taxed as a single entity and the deferred tax assets and liabilities of the entities are set-off in the consolidated financial statements.

The entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Peet Limited. At the balance sheet date the possibilities of default were remote.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amount assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) the wholly-owned entity.

27. OTHER ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the seperate financial statements of Peet Limited. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long-term capital.

x. New accounting standards and interpretations issued but not yet effective

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Title	Summary	Impact on Group financial report	Application date for Group year ending
AASB 16	Leases	AASB 16 eliminates the classification of leases as either operating or finance. Lessees are required to recognise leases on the balance sheet for leases with a term of more than 12 months, unless the underlying asset is of low value.	A review has been undertaken. Based on existing significant lease agreements, the extent of the impact of the amendment is not expected to be material.	30 June 2020

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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In the Directors' opinion:

a. the financial statements and notes set out on pages 64 to 105 are in accordance with the Corporations Act 2001, including:

   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   ii. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 24.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Brendan Gore

Managing Director and Chief Executive Officer
Perth, Western Australia
28 August 2019

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Independent Auditor's Report to the Members of Peet Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Peet Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Group in accordance with the auditor independence requirements of 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also 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.

Key Audit Matters

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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Recoverability of inventories

Why significant	How our audit addressed the key audit matter
Land held for development and resale is treated by the Group as inventories which are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and borrowing costs incurred during development. As at 30 June 2019, total inventories amounted to $518,669,000. This was considered a key audit matter as the determination of net realisable value is affected by subjective elements within the projected costs and revenues over the assumed life of each development. These values are sensitive to changes in the underlying economic environment and market forces. Disclosure of inventories including significant judgments is included in Note 9 of the financial report.	Our audit procedures included the following: ▸ We assessed the effectiveness of controls over the Group's review process related to project monitoring, including the preparation and review of feasibility reports and updates at the related executive and board level. We also assessed controls over the process for the approval to commence or amend significant projects. ▸ We evaluated all available independent property valuations and a selection of internal projections prepared by the Group that we have identified as higher risk. ▸ We also examined the qualifications, competence and objectivity of the independent valuation experts. ▸ We evaluated all projects we considered significant, to understand project costs to date and estimated costs to complete, the progress of the development, and contingency estimates for remaining development risks. ▸ We assessed the valuation models prepared by the Group for a sample of developments currently in progress. This included an evaluation of the assumptions adopted by comparing project costs and sales to the most recent historical or comparable sales and costs, including signed contracts or actual costs incurred for comparable projects and agreed relevant data to the current development application submissions and/or approvals. ▸ We tested the mathematical accuracy of the valuation models. ▸ We performed sensitivity analysis in relation to the key forward looking assumptions including sales price, cost per lot and escalation rates. We assessed the disclosure relating to inventories in accordance with Australian Accounting Standards.

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2. Land and capitalised development costs expensed during the year

Why significant	How our audit addressed the key audit matter
The Group has expensed as cost of sales, land and development costs of $121,979,000 related to sold lots. Development costs includes estimates of infrastructure costs which are incurred over the life of the development. This was considered a key audit matter as the recognition of land and development costs is dependent on forecast development timing and future costs that are affected by expected performance and market conditions. Disclosure of land and development costs is included in Note 6 of the financial report.	Our audit procedures included the following: ▶ We evaluated the basis of estimation and allocation of total development costs and the allocation of costs to complete for lots sold. ▶ We assessed the effectiveness of controls over the review and approval of cost calculations. ▶ We selected a sample of cost calculations to assess whether they were mathematically accurate and the period they related to was appropriate. ▶ We assessed the costs allocated to each lot and compared the land and development costs to sales transactions. This included comparison to historical averages of similar projects, and the gross margin over the life of the project to identify and substantiate significant differences. We assessed the adequacy of the disclosures in the financial report in accordance with Australian Accounting Standards.

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3. Investments accounted for using the equity method

Why significant	How our audit addressed the key audit matter
The Group has interests in joint ventures and associates which are involved in property investment or development of $233,668,000 and are accounted for using the equity method. An associate is an entity over which the Group has significant influence. The classification of an interest in an entity as a joint venture is predicated on the Group having joint control with the other party(ies) under the arrangement. Interests in associates and joint ventures comprise of: (a) The Group's equity accounted investment in a number of joint venture arrangements and associates; and (b) Loan facilities provided by the Group to certain associates and joint ventures. These unsecured loans are either recognised at amortised cost using the effective interest rate method, less an allowance for expected credit loss or at fair value through the profit and loss. This was considered a key audit matter due to the following: ▸ The judgment involved in assessing whether the Group has control, joint control or significant influence over the investee. The Group's assessment is based on the relevant contractual agreements. ▸ The assessment of the recoverability of the interests is subject to significant judgment as to the performance of the underlying developments. Significant changes in feasibility assumptions impacting project cash flows may give rise to impairment. ▸ The assessment of loans at fair value through the profit and loss is subject to significant judgment as to the appropriate interest rates for each development. Disclosure of investments accounted for using the equity method, including significant judgments is included in Notes 2 and 10 of the financial report.	Our audit procedures included the following: ▸ For new associates entered into during the year, we assessed the arrangements to understand the ownership interest and rights of each party. This included considering the Group's assessment of whether an entity is jointly controlled and whether their application of the equity method accounting to the investment was appropriate. ▸ For existing joint ventures and associates, we considered whether there had been any changes to the arrangement with respect to decision making power and exposure to variable returns. ▸ We assessed the financial performance and financial position of the associates and joint ventures, and the Group's going concern assessment of the relevant entities as one of the indicators of potential impairment. ▸ We evaluated the recoverability of interests in associates and joint ventures by assessing the feasibilities of the underlying development asset. We obtained an understanding of the status of the underlying developments, considered the historical accuracy of the forecast development outcomes and evaluated the assumptions adopted in light of current market evidence. ▸ We considered the Group's assessment of the recoverability of the loans. ▸ We assessed the interest rates used to value loans at fair value through the profit and loss against prevailing market rates and external borrowings for similar debt. We assessed the adequacy of the disclosures in the financial report in accordance with Australian Accounting Standards.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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 and, in doing so, 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.

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 Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Financial Report

Our objectives are 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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.

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- 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 financial report 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 financial report, including the disclosures, and whether the financial report represents 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 financial report. 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 44 to 59 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Peet Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

G Lotter
Partner
Perth
28 August 2019

Distribution of ordinary shares and Peet Bonds

As at 23 September 2019 there were 2,223 current holders of ordinary shares, 1,387 current holders of Series 1, Tranche 1 Peet Bonds ("PPCHA Bonds") and 522 current holders of Series 2, Tranche 1 Peet Bonds ("PPCHB Bonds"). These holdings were distributed in the following categories:

Size of Holding	No. of Shareholders	% of Issued Shares	No. of PPCHA Bondholders	% of Issued PPCHA Bonds	No. of PPCHB Bondholders	% of Issued PPCHB Bonds
1 – 1,000	479	0.03	1,281	36.50	461	32.10
1,001 – 5,000	643	0.41	92	18.49	52	23.29
5,001 – 10,000	367	0.58	7	5.24	5	6.88
10,001 – 100,000	658	3.86	6	16.03	3	7.01
100,001 and over	76	95.12	1	23.74	1	30.72
	2,223	100.00	1,387	100.00	522	100.00

There were 341 shareholdings of less than a marketable parcel of $500 (435 shares).

There were 2 holdings of PPCHA Bonds of less than a marketable parcel of $500 (five PPCHA Bonds).

There were nil holdings of PPCHB Bonds of less than a marketable parcel of $500 (five PPCHB Bonds).

Securityholders

The names of the 20 largest holders of ordinary shares as at 23 September 2019 are listed below:

Name	Number of Shares Held	% of Shares
Citicorp Nominees Pty Limited	88,558,482	18.33
Scorpio Nominees Pty Ltd <Gwenton A/C>	86,582,433	17.91
J P Morgan Nominees Australia Pty Limited	68,306,233	14.13
HSBC Custody Nominees (Australia) Limited	51,304,070	10.62
National Nominees Limited	35,222,464	7.29
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	20,729,143	4.29
Argo Investments Limited	18,152,705	3.76
Mr Warwick Donald Hemsley	17,459,881	3.61
Ian Murray Charles Palmer & Helen Christina Palmer	12,707,352	2.63
Golden Years Holdings Pty Ltd <Peet Super Fund A/C>	8,656,230	1.79
BNP Paribas Noms Pty Ltd <DRP>	7,679,676	1.59
Mr Brendan David Gore <Gore Family A/C>	6,103,817	1.26
UBS Nominees Pty Ltd	3,566,468	0.74
Brispot Nominees Pty Ltd <House Head Nominee A/C>	3,485,776	0.72
Netwealth Investments Limited <Wrap Services A/C>	3,240,531	0.67
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,631,851	0.54
Mr Julian Charles Peet	1,528,344	0.32
Domar Investments Pty Ltd <Domar Family A/C>	1,458,853	0.30
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,446,533	0.30
HSBC Custody Nominees (Australia) Limited – A/C 2	1,351,011	0.28
Total for 20 largest shareholders	440,171,853	91.08
Total other shareholders	43,128,636	8.92
Total ordinary shares on issue	483,300,489	100.00

SECURITYHOLDER INFORMATION (CONTINUED)

The names of the 20 largest holders of PPCHA Bonds as at 23 September 2019 are listed below:

Name	Number of PPCHA Bonds Held	% of PPCHA Bonds
HSBC Custody Nominees (Australia) Limited	237,342	23.73
J P Morgan Nominees Australia Pty Limited	43,720	4.37
Australian Executor Trustees Limited <No 1 Account>	35,330	3.53
Grizzly Holdings Pty Ltd	26,400	2.64
Jove Pty Ltd	22,612	2.26
Finot Pty Ltd	20,000	2.00
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	12,268	1.23
Jamplat Pty Ltd	10,000	1.00
Passini Pty Ltd	8,500	0.85
Tierney Pty Limited <Nettex Aust Direct S/F A/C>	8,000	0.80
George Tauber Management Pty Ltd	7,500	0.75
Riseley Family Investments Pty Ltd <Riseley Family A/C>	7,250	0.73
Sunstone Finance Pty Ltd	5,632	0.56
Majana Pty Ltd <Majana Super Fund A/C>	5,500	0.55
Invia Custodian Pty Limited < RISF A/C>	5,000	0.50
Invia Custodian Pty Limited <Brian Davis Inv PL A/C>	5,000	0.50
Invia Custodian Pty Limited <HWG Holding Pty Limited A/C>	5,000	0.50
Super Rab Pty Ltd <R A Black Pers S/F Rab A/C>	5,000	0.50
Pulo Rd Pty Ltd <Pulo Rd Super Fund A/C>	4,680	0.47
Mrs Robin Lynn Beech	4,000	0.40
Total for 20 largest PPCHA Bondholders	478,734	47.87
Total other PPCHA Bondholders	521,266	52.13
Total PPCHA Bonds on issue	1,000,000	100.00

SECURITYHOLDER INFORMATION (CONTINUED)

The names of the 20 largest holders of PPCHB Bonds as at 23 September 2019 are listed below::

Name	Number of PPCHB Bonds Held	% of PPCHB Bonds
HSBC Custody Nominees (Australia) Limited	153,590	30.72
Grizzly Holdings Pty Limited	12,600	2.52
Keppoch Pty Limited	12,000	2.40
J P Morgan Nominees Australia Pty Limited	10,449	2.09
Finot Pty Limited <The Sonnenschein Family A/C>	8,000	1.60
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	7,607	1.52
BT Portfolio Services Limited <The Stone Super Fund A/C>	7,000	1.40
Roni H Pty Ltd	6,000	1.20
Mr Joseph Compagnone & Mrs Cheryl Robyn Compagnone <J Compagnone & Co SFJ A/C>	5,800	1.16
BLB Corporation Pty Ltd <BLB Australia Unit A/C>	4,970	0.99
Invia Custodian Pty Limited <SRP Green Pty Ltd A/C>	4,690	0.94
Hamilton Industries (Victoria) Pty Limited	4,000	0.80
Mr Joseph Compagnone and Mrs Cheryl Robyn Compagnone <J Compagnone & Co SFC A/C>	3,662	0.73
Trendmead Pty Ltd <Trendmead Pty Ltd Super A/C>	3,500	0.70
Netwealth Investments Limited <Wrap Services A/C>	3,350	0.67
A Cameron Holdings Pty Limited <A Cameron Family A/C>	3,125	0.63
Netwealth Investments Limited <Super Services A/C>	3,102	0.62
Bentleigh Nominees Pty Ltd <BW Bergman A/C>	3,000	0.60
Invia Custodian Pty Limited <T & L Brorsen Family A/C>	3,000	0.60
Mr Thomas Kiss and Mrs Amanda Aizenstros <Du Kiss Smt Fab P/L S/F A/C>	3,000	0.60
Mr Archibald John McKirdy	3,000	0.60
Trancape Pty Ltd <Atlantica No 2 A/C>	3,000	0.60
Mr Jian Wang	3,000	0.60
Total for 20 largest PPCHB Bondholders	271,445	54.29
Total other PPCHB Bondholders	228,555	45.71
Total PPCHB Bonds on issue	500,000	100.00

Substantial shareholders

As disclosed in substantial holding notices lodged with ASX (as applicable) as at 23 September 2019:

Name	Date of Last Notice Received	Number of Shares Held	% of Issued Shares[1]
Scorpio Nominees Pty Ltd and its associates	13 November 2018	99,156,523	20.50
Allan Gray Australia Pty Ltd and its related bodies corporate	3 September 2019	94,507,563	19.55
L1 Capital Pty Ltd	23 July 2018	28,058,347	5.73

1. Percentage of issued shares held as at the date notice provided.

Voting rights of Ordinary Shares

The constitution provides for votes to be cast:

(i) on a show of hands, one vote for each shareholder; and

(ii) on a poll, one vote for each fully paid ordinary share.

Voting rights of Peet Bonds

Bondholders have certain rights to vote at meetings of bondholders but are not entitled to vote at general meetings, unless provided for by the ASX Listing Rules or the Corporations Act.

Securities Exchange Listings

Peet Limited's ordinary shares are listed on the Australian Securities Exchange ("ASX"). The Company's ASX code is PPC.

Peet Limited's Series 1, Tranche 1 Peet Bonds are listed on the ASX, with the code being PPCHA.

Peet Limited's Series 2, Tranche 1 Peet Bonds are listed on the ASX, with the code being PPCHB.

Options and Performance Rights

As at 23 September 2019, Peet Limited had 1,200,000 options on issue, held by one key management person, as disclosed elsewhere in the Annual Report.

As at 23 September 2019, Peet Limited had 6,346,792 performance rights on issue, held by a total of eight key management personnel and other senior managers.

These options and performance rights, which are not listed, were issued under the PESOP and PPRP, respectively.

Peet Notes

As at as at 23 September 2019, Peet Limited had 75,000 unsecured and unsubordinated, 6.75% fixed-rate notes on issue, with a maturity date of 7 June 2024. Noteholders are not entitled to vote at general meetings, however, are entitled to vote on certain matters that affect their rights under the notes' Trust Deed. The notes were issued to professional and sophisticated investors and are not listed.

Website address

www.peet.com.au

The Peet Limited website offers the following features:

- Investor relations page with the latest Company announcements;
- News service providing up to date information on the Company's activities and projects; and
- Access to annual and half year reports.

PEET LIMITED

A.B.N. 56 008 665 834

Website Address – www.peet.com.au

Directors

Tony Lennon, FAICD, Non-executive Chairman

Brendan Gore, BComm, FCPA, FCIS, FGIA, FAICD, Managing Director and Chief Executive Officer

Anthony Lennon, BA, Grad Dip Bus Admin, MAICD, Non-executive Director

Trevor Allen, BComm (Hons), CA, FF, FAICD, Independent Director

Vicki Krause, BJuris LLB W.Aust, GAICD, Independent Director

Robert (Bob) McKinnon, FCPA, FCIS, FGIA, MAICD, Independent Director

Group Company Secretary

Dom Scafetta, BComm, CA

Registered Office and Principal Place of Business

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Tel. (08) 9420 1111

Share Register

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Tel: (08) 9323 2000

Auditor

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth, Western Australia 6000

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