Peet Limited

ABN 56 008 665 834

Appendix 4D and Consolidated Financial Statements for the half-year ended 31 December 2014

Appendix 4D

Half-year Financial Report

Results for Announcement to the Market

Entity:	Peet Limited and its controlled entities
Reporting Period:	31 December 2014
Previous Corresponding Period:	31 December 2013

				$'million
Revenue	Up	76%	to	182.8
Statutory profit after tax attributable to owners of Peet Limited	Up	30%	to	17.1
Basic earnings per share (cents)	Up	23%	to	3.8c
Diluted earnings per share (cents)	Up	23%	to	3.8c

Dividends	Cents per security	% Franked per security
Current Year		
Interim dividend 2015	1.5	Fully franked
Previous Year		
Final dividend 2014	3.5	Unfranked
Interim dividend 2014	NIL	n/a

Results Commentary

Key results

- Operating profit[1] after tax of $17.1m, up 18% on 1H14
- Statutory profit[1] after tax of $17.1m, up 30% on 1H14
- EBITDA[2] of $45.9m, up 65% on 1H14
- EBITDA[2] margin of 25%, up from 23% on 1H14
- Earnings per share up 23%
- 1,456 lots settled compared with 1,507 in 1H14
- 2,232 contracts on hand as at 31 December 2014, compared with 1,990 at 30 June 2014
- Gearing[3] of 23.0%, down from 29.8% at 30 June 2014
- Fully franked interim dividend of 1.5 cents per share

Financial commentary

The Peet Group achieved an operating profit[1] after tax of $17.1 million for the half-year ended 31 December 2014, an increase of 18% compared with the previous corresponding period and continued improvements in performance are expected in 2H15.

The Group's statutory profit[1] after tax was $17.1 million, compared to $13.2 million in the previous corresponding period, representing an increase of 30%. Earnings per share increased 23% to 3.8 cents.

This result was underpinned by the strong performance of Development projects and sound contributions from the balance of the business with the underlying foundations of the residential sector continuing to support the business.

The Group's strong first half performance resulted in EBITDA[2] of $45.9 million, compared to $27.9 million in the previous corresponding period, an increase of 65%.

Continued focus on cost reductions and operational efficiencies, together with moderate price growth in key markets resulted in improved margins across the Group during 1H15. The overall EBITDA[2] margin for 1H15 was 25%, compared to 23% in the previous corresponding period.

During 1H15, the Group raised equity of approximately $51 million to fund its interests in six high quality strategic residential development projects. Three of the projects were acquired jointly with strong investment partners, providing the Group with the opportunity to further leverage and grow its Funds Management business, with the two largest projects already in production and selling.

---

[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 includes the effects of non-cash movements in investments in associates and joint ventures. 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.

Statutory profit measures profit in accordance with Australian Accounting Standards.

[2] Pre write-downs and includes effects of non-cash movements in investments in associates and joint ventures.

[3] (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets). Excludes syndicates consolidated under AASB10.

Operational commentary

The Group achieved a total of 1,610 sales and 1,456 settlements in the first half – a decrease of 7% and 3% respectively compared with the previous corresponding period.

Contributing to the reduction in sales and settlements has been the moderating and stabilising market conditions in WA, following a period of strong price and volume growth; while sales and settlements in Victoria and Queensland improved, demonstrating the advantage of a balanced and well diversified portfolio.

At 31 December 2014, there were 2,232 contracts on hand[4], with a gross value of $485 million, compared with 1,990 contracts on hand as at 30 June 2014, providing good momentum into 2H15.

Funds management projects

- Revenue[5] of $22.1m, compared with $24.5m in the previous corresponding period (down 10%).
- 906 lots sold (compared with 839 in 1H14, up 8%) for a gross value of $231 million (up 20%).
- 786 lots settled (compared with 751 lots in 1H14, up 5%) for a gross value of $179 million (up 2%).
- 1,176 lots under contract as at 31 December 2014 (compared with 968 lots under contract as at 30 June 2014, up 21%) with a total value of $223 million (up 14%).
- EBITDA[6] of $14.2 million compared with $15.5 million in the previous corresponding period (down 8%).
- EBITDA[6] margin of 65%, compared with 63% for the previous corresponding period.

Development projects

- Revenue of $94.8 million, compared with $29.2 million in the previous corresponding period (up 225%) – with 1H15 positively impacted by the first settlements from the Quayside apartment development (ACT) and strong settlements at Aston (Victoria) and The Chimes (WA) and settlement of englobo land sales as part of the group’s non-core asset divestment program.
- 256 lots sold (compared with 271 sales in 1H14, down 6%) at a gross value of $68 million (down 18%).
- 289 lots settled (compared with 137 settled in 1H14, up 111%) for a gross value of $98 million (up 198%).
- 236 lots under contract as at 31 December 2014 (compared with 269 lots under contract as at 30 June 2014, down 12%), for a gross value of $61 million (down 33%).
- EBITDA[6] of $19.6 million compared with $4.8 million in the previous corresponding period.
- EBITDA[6] margin of 21%, compared with 16% in the previous corresponding period.

---

[4] Includes lot equivalents.

[5] Includes effects of movements in investments in associates and joint ventures, where appropriate. Refer to Note 2 Segment Reporting in the Financial Statements for further detail.

[6] Pre write-downs and includes effects of non-cash movements in investments in associates and joint ventures, where appropriate.

Joint arrangements

The Peet Group manages and markets a number of joint venture projects. The reduced contribution from the joint venture business in 1H15 in comparison to 1H14 is predominantly due to the Crace project (ACT) substantially completing in FY14.

- Revenue[7] of $49.3m, compared with $53.5m in the previous corresponding period (down 8%).
- 448 lots sold (compared with 625 sales in 1H14, down 28%) for a gross value of $116 million (down 23%).
- 381 lots settled (compared with 619 settled in 1H14, down 38%) for a gross value of $96 million (down 41%).
- 820 lots under contract as at 31 December 2014 (compared with 753 lots under contract as at 30 June 2014, up 9%) for a gross value of $201 million (up 11%).
- EBITDA[8] of $10.2 million compared with $13.1 million in 1H14.
- EBITDA[8] margin of 21% compared with 24% in 1H14.

Land portfolio metrics

		1H15	1H14	Change Up/(down)
Lot sales		1,610	1,735	(7%)
Lot settlements		1,456	1,507	(3%)
Contracts on hand[9] (comparison as at 30 June 2014)	Number	2,232	1,990	
	Value	$485.0m	$467.9m	

Capital management

Peet continues to maintain a strong focus on capital management, with gearing[10] reducing to 23.0% as at 31 December 2014, compared to 29.8% as at 30 June 2014, and at the lower end of its target range of 20-30%.

At the same time Peet continued its proactive approach to investment in the development of lots and infrastructure to meet market demand for product across its portfolio.

At the end of the period, the Group had interest-bearing debt (including its convertible notes) of $242.3 million, compared with $295.5 million at 30 June 2014. Approximately 51% of the Group's interest-bearing debt was hedged as at 31 December 2014, compared with 47% at 30 June 2014.

The Group has executed a number of forward starts, which will result in a lowering of future interest costs.

The net cash inflows from operations were significantly improved over the previous corresponding period and as at 31 December 2014, the Group had net cash and debt headroom of $91 million.

Dividend payments

Subsequent to 31 December 2014, the Directors have declared an interim dividend of 1.5 cents per share fully franked in respect to the year ending 30 June 2015. The dividend is to be paid on Friday, 17 April 2015, with a record date of Thursday, 26 March 2015.

[7] Includes effects of movements in investments in associates and joint ventures, where appropriate. Refer to Note 2 Segment Reporting in the Financial Statements for further detail.

[8] Pre write-downs and includes effects of non-cash movements in investments in associates and joint ventures, where appropriate.

[9] Includes lot equivalents.

[10] (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets). Excludes syndicates consolidated under AASB10.

Group strategy

Peet will continue to target the delivery of shareholder value and quality residential communities around Australia by leveraging its geographically diverse land bank; working in partnership with 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 Peet's strategy for the remainder of the FY15 and beyond include:

- Managing the Group's land bank of approximately 50,000 lots to achieve shareholder returns and deliver quality residential communities around Australia;
- Continuing to assess opportunities to acquire strategic residential land holdings in a disciplined manner under our funds management platform;
- Extending opportunities, where appropriate, for wholesale and retail investors;
- Extending our built-form activities to add value to our residential communities and extending our commitment to delivering affordable residential opportunities, with a short/medium-term pipeline of more than 1,700 units/apartments identified in the national portfolio;
- Maintaining a strong focus on cost and debt reduction; and
- Continuing to identify and assess growth opportunities in line with our strategic objectives and as appropriate in market conditions, optimising the flexibility afforded by our strong capital position and capital partner relationships.

Outlook

The fundamentals underpinning the housing market remain positive in terms of record low interest rates with a further cut expected, a low rate of inflation and continued population growth.

However, the factors putting pressure on official cash rates – weaker jobs market, slow wages growth, and lower commodity prices – are also having some impact on consumer and business confidence, particularly in Western Australia.

Sales volumes moderated in Western Australia during 1H15, where a combination of the lower iron ore price and the transition from the construction phase of major resource projects in particular has impacted the economy. However, while that trend is expected to continue, sales prices have stabilised in line with a market in or around equilibrium. These market conditions, together with:

- continued population growth;
- relatively low level of unemployment compared to the national average; and
- the diversity of Peet's WA land bank including the start of sales to the public from a new project in Perth's eastern suburbs,

are expected to help underpin a continued solid contribution from WA overall in FY15.

Activity in the Queensland residential market is increasing (though coming off historic low levels) and there has been an improvement in affordability, relative to other eastern states and conditions are expected to improve, despite a fall in investment in the mining sector.

Strong population growth in Victoria has supported increased activity in the residential housing market and price growth is also positive. We anticipate a stabilising of sales rates over the remainder of FY15.

The ACT and adjoining NSW markets, where the Peet Group has a reduced exposure following the completion of its joint venture (Crace) with the Territory's Land Development Agency and the Quayside apartments project, continue to perform well.

The South Australian residential property market is expected to continue in recovery mode with increased interest from buyers in the affordable and middle segments, boosted by continued low interest rates.

Demand remains robust for residential land in the Northern Territory, where government incentives for first homebuyers were restricted to purchasers of new properties from 1 January 2015 and supply remains relatively limited. This market is expected to continue to perform well with large infrastructure projects and a strong Australian and US military presence underpinning growth.

The Peet Group has a diversified national portfolio of projects and is positioned to meet market demand in 2H15 with a range of product suited to the affordable and middle market segments.

Peet has moved into the second half of FY15 in a good position to maximise growth opportunities, with strong relationships with our institutional partners, good support from builders, a stronger balance sheet and expectations of continued good performance in most key markets during 2H15.

In February 2015 Peet released a new $10 million retail syndicate for a 21.7 hectare property west of Melbourne, Victoria which has been strongly received and, based on applications and commitments received to date, is more than 60% subscribed.

The Group is on track to achieve more than 3,400 settlements by 30 June 2015 and, subject to a continuation of current market conditions and timing of settlements, anticipates full year earnings in the order of $38 million.

Brendan Gore
Managing Director and Chief Executive Officer

26 February 2015

Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Peet Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons were Directors of Peet Limited during the half-year and up to the date of this report:

Tony Lennon (Chairman)
Brendan Gore
Anthony Lennon
Trevor Allen
Vicki Krause
Robert McKinnon
SF Higgs (Retired on 28 August 2014)
GW Sinclair (Retired on 28 August 2014)

Review of operations

Net profit after tax for the half-year ended 31 December 2014 attributable to owners of Peet Limited was $17.1 million (2013: $13.2 million). The review of operations for the Group for the half-year ended 31 December 2014 and the results of those operations are covered in the Results Commentary section on pages 3 to 7.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

26 February 2015

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Peet Limited

In relation to our review of the financial report of Peet Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Peter McIver
Partner
26 February 2015

PM:EH:PEET:011

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2014

	Notes	December 2014 $'000	December 2013 $'000
Revenue	3	182,801	104,111
Expenses	4	(150,323)	(97,525)
Finance costs	4	(3,827)	(5,094)
Share of net profit of associates and joint ventures		1,373	15,280
Write-down in carrying value of inventories and development costs		-	(1,806)
Profit before income tax		**30,024**	**14,966**
Income tax expense	5	(9,131)	(928)
Profit for the period		**20,893**	**14,038**
Attributable to:			
Owners of Peet Limited		17,128	13,224
Non-controlling interests		3,765	814
		20,893	**14,038**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges		(1,457)	1,764
Share of other comprehensive income of associates		(23)	(40)
Income tax relating to components of other comprehensive income		437	(517)
Other comprehensive income for the period, net of tax		**(1,043)**	**1,207**
Total comprehensive income for the period		**19,850**	**15,245**
Attributable to:			
Owners of Peet Limited		16,061	14,331
Non-controlling interests		3,789	914
		19,850	**15,245**

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

	Notes	Cents	Cents
Basic earnings per share	8	3.8	3.1
Diluted earnings per share	8	3.8	3.1

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

	Notes	December 2014 $'000	June 2014 $'000
Current assets			
Cash and cash equivalents		54,676	38,783
Receivables		40,978	43,014
Inventories		129,855	143,112
Current tax receivable		458	1,189
Total current assets		**225,967**	**226,098**
Non-current assets			
Receivables		39,466	38,096
Inventories		385,657	397,485
Investments accounted for using the equity method		177,677	152,703
Available-for-sale financial assets		25	25
Property, plant and equipment		11,308	11,360
Deferred tax assets		12,596	18,509
Intangible assets		2,733	2,856
Total non-current assets		**629,462**	**621,034**
Total assets		**855,429**	**847,132**
Current liabilities			
Payables		59,428	55,365
Land vendor liabilities		5,000	7,500
Current tax liabilities		1,173	-
Borrowings	6	465	50,639
Provisions		9,884	11,124
Total current liabilities		**75,950**	**124,628**
Non-current liabilities			
Payables		-	168
Land vendor liabilities		18,751	16,949
Borrowings	6	241,831	244,907
Derivative financial instruments		4,742	3,285
Deferred tax liabilities		32,444	36,512
Provisions		1,055	637
Total non-current liabilities		**298,823**	**302,458**
Total liabilities		**374,773**	**427,086**
Net assets		**480,656**	**420,046**
Equity			
Contributed equity	7	383,580	328,609
Reserves		8,727	8,791
Retained profits		68,205	66,291
Capital and reserves attributable to owners of Peet Limited		**460,512**	**403,691**
Non-controlling interests		20,144	16,355
Total equity		**480,656**	**420,046**

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

	Notes	Contributed equity $'000	Reserves $'000	Retained Profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2013		**325,193**	**4,239**	**36,000**	**365,432**	**14,898**	**380,330**
Profit for the period		-	-	13,224	13,224	814	14,038
Other comprehensive income		-	1,107	-	1,107	100	1,207
Total comprehensive income for the period		**-**	**1,107**	**13,224**	**14,331**	**914**	**15,245**
Contributions of equity, net of transaction costs and tax		3,416	-	-	3,416	-	3,416
Share based payments		-	1,674	-	1,674	-	1,674
Balance at 31 December 2013		**328,609**	**7,020**	**49,224**	**384,853**	**15,812**	**400,665**
Balance at 1 July 2014		**328,609**	**8,791**	**66,291**	**403,691**	**16,355**	**420,046**
Profit for the period		-	-	17,128	17,128	3,765	20,893
Other comprehensive income		-	(1,067)	-	(1,067)	24	(1,043)
Total comprehensive income for the period			**(1,067)**	**17,128**	**16,061**	**3,789**	**19,850**
Contributions of equity, net of transaction costs and tax	7	54,971	-	-	54,971	-	54,971
Dividends paid	10	-	-	(15,214)	(15,214)	-	(15,214)
Share based payments		-	1,003	-	1,003	-	1,003
Balance at 31 December 2014		**383,580**	**8,727**	**68,205**	**460,512**	**20,144**	**480,656**

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

	December 2014 $'000	December 2013 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	208,867	119,340
Payments to suppliers and employees (inclusive of GST)	(127,485)	(124,437)
Payments for purchase of land	(8,775)	(9,257)
Interest and other finance costs paid	(11,284)	(13,850)
Distributions and dividends received from associates and joint ventures	8,302	12,062
Income tax paid	(4,256)	(3,383)
Net cash inflow/(outflow) from operating activities	**65,369**	**(19,525)**
Cash flows from investing activities		
Payments for property, plant and equipment	(1,508)	(464)
Payment for intangibles	(37)	(226)
Payments for investment in associates	(32,195)	(14,023)
Proceeds from capital returns from associates	303	332
Loans to related parties	(1,898)	(1,166)
Repayment of loans by related parties	-	160
Interest received	313	343
Net cash outflow from investing activities	**(35,022)**	**(15,044)**
Cash flows from financing activities		
Dividends paid	(10,606)	-
Repayment of borrowings	(93,517)	(41,724)
Proceeds from borrowings	39,732	63,015
Proceeds from issue of equity securities (net of equity raising costs)	49,937	3,413
Net cash (outflow)/inflow from financing activities	**(14,454)**	**24,704**
Net increase/(decrease) in cash and cash equivalents	15,893	(9,865)
Cash and cash equivalents at the beginning of the financial year	38,783	36,420
Cash and cash equivalents at end of the period	**54,676**	**26,555**

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

1. Basis of Preparation of Consolidated Financial Statements

This general purpose condensed financial report for the half-year ended 31 December 2014 is for the Consolidated Entity consisting of Peet Limited and its subsidiaries ("Group"). The condensed financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these statements are to be read in conjunction with the annual statements for the year ended 30 June 2014 and any public announcements made by Peet Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Segment reporting

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 has been identified as the executive management group.

The executive management group assesses the performance of the operating segments based on multiple measures including EBITDA[1], EBIT[2] and profit after tax.

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

Funds Management

External equity capital raisings are undertaken to fund the acquisition of land across Australia. The Group derives fees from underwriting and capital raising coordination services, as well as asset identification fees from this activity. Ongoing project related fees are then derived by the Group for the duration of a particular project.

Development

Purchase and development of various parcels of land in Australia, primarily for residential purposes. However, certain land holdings will also produce non-residential blocks of land.

Joint Arrangements

Joint arrangements are formed with government, statutory authorities and private landowners. The joint venture/operator will normally contribute the land and the Group funds the development costs. The Group is typically entitled to ongoing fees for management of the development project and also a share of the profits.

Inter-Segment Eliminations 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 Group operates only in Australia.

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.

2. Segment reporting

	Funds Management		Asset Management Development		Asset Management Joint Arrangements		Inter-segment Eliminations and Other Unallocated		Consolidated	
	December 2014 $'000	December 2013 $'000	December 2014 $'000	December 2013 $'000	December 2014 $'000	December 2013 $'000	December 2014 $'000	December 2013 $'000	December 2014 $'000	December 2013 $'000
Sales to external customers	19,785	15,077	94,128	28,473	47,449	44,778	18,479	12,586	179,841	100,914
Other revenue	1,410	2,159	718	725	277	590	555	(277)	2,960	3,197
Share of net profit of associates and JVs	891	7,246	-	-	1,588	8,139	(1,106)	(105)	1,373	15,280
Total	**22,086**	**24,482**	**94,846**	**29,198**	**49,314**	**53,507**	**17,928**	**12,204**	**184,174**	**119,391**
Corporate overheads							(5,723)	(5,984)	(5,723)	(5,984)
EBITDA excluding write-down in inventories	14,249	15,489	19,597	4,843	10,160	13,107	1,877	(5,487)	45,883	27,952
Write-down of inventories	-	-	-	(1,806)	-	-	-	-	-	(1,806)
EBITDA	**14,249**	**15,489**	**19,597**	**3,037**	**10,160**	**13,107**	**1,877**	**(5,487)**	**45,883**	**26,146**
Depreciation and amortisation	(50)	(41)	(767)	(531)	(255)	(290)	(492)	(684)	(1,564)	(1,546)
EBIT	**14,199**	**15,448**	**18,830**	**2,506**	**9,905**	**12,817**	**1,385**	**(6,171)**	**44,319**	**24,600**
Financing costs (includes interest and finance costs expensed through cost of sales)									(14,295)	(9,634)
Profit before income tax									**30,024**	**14,966**
Income tax expense									(9,131)	(928)
Profit for the period									**20,893**	**14,038**

3. Revenue

	December 2014 $'000	December 2013 $'000
Revenue from sales of land	112,807	42,317
Project management and performance fees	25,909	18,532
Revenue from joint operations	40,420	36,226
Revenue from other trading activities		
- Syndicate administration fees	705	3,839
	179,841	**100,914**
Other revenue		
- Interest income	1,654	2,085
- Other	1,306	1,112
	2,960	**3,197**
	182,801	**104,111**

4. Profit before income tax

	December 2014 $'000	December 2013 $'000
Profit before income tax includes the following specific expenses:		
Expenses		
Land and development cost	101,890	56,640
Capitalised interest and finance expense	10,468	4,540
Total land and development cost	**112,358**	**61,180**
Depreciation	1,315	1,438
Amortisation	249	108
Total depreciation and amortisation	**1,564**	**1,546**
Employee benefits expense	17,112	18,045
Project management, selling and other operating costs	11,208	8,440
Other expenses	8,081	8,314
Total other expenses	**36,401**	**34,799**
Total expenses	**150,323**	**97,525**
Finance costs		
Interest and finance charges paid/payable	9,862	12,943
Interest on convertible notes	2,926	2,861
Amount capitalised	(8,961)	(10,710)
	3,827	**5,094**

5. Income tax

	December 2014 $'000	December 2013 $'000
Major components of tax expense		
Current tax	5,602	-
Adjustments for current tax of prior periods	-	(1,176)
	5,602	(1,176)
Deferred tax	3,529	888
Adjustments for deferred tax of prior periods	-	1,216
	3,529	**2,104**
	9,131	**928**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	30,024	14,966
Tax at Australian tax rate of 30% (2013: 30%)	9,007	4,490
Tax effect of amounts which are not deductible		
Share of net profit of associates	(412)	(1,340)
Employee benefits	301	502
Franking rebate	(33)	(3,010)
Other	268	286
	9,131	**928**

6. Net debt

Debt facilities

		December 2014		June 2014	
31 December 2014		**Facility Amount $'000**	**Utilised Amount $'000**	**Facility Amount $'000**	**Utilised Amount $'000**
Bank loans	Secured	247,801	193,494	328,466	239,928
Convertible notes	Unsecured	50,000	48,176	50,000	47,639
Loan facilities from equity accounted investee	Unsecured	-	-	7,129	7,129
Fixed rate loan	Unsecured	626	626	850	850
		298,427	**242,296**	**386,445**	**295,546**

The borrowings are disclosed as follows in the balance sheet:

	December 2014 $'000	June 2014 $'000
Borrowings – Current	465	50,639
Borrowings – Non-current	241,831	244,907
Total borrowings	242,296	295,546
Cash and cash equivalents	(54,676)	(38,783)
Net debt	187,620	256,763

7. Contributed equity

Share capital

	December 2014 Shares	June 2014 Shares	December 2014 $'000	June 2014 $'000
Paid up capital				
Ordinary Shares - fully paid	484,853,684	433,389,348	383,580	328,609

Movements in ordinary share capital

Date	Details	Notes	Number of Shares	$'000
30 June 2013	**Opening balance**		**429,008,507**	**325,193**
1 July 2013	Capital raising		2,978,261	3,425
11 October 2013	Vested Performance rights less transactions costs		1,402,580	(13)
	Deferred tax credit recognised in equity		-	4
30 June 2014	**Closing balance**		**433,389,348**	**328,609**
22 September 2014	Vested Performance rights less transactions costs		1,292,657	(6)
31 October 2014	Dividend reinvestment plan		3,905,709	4,608
14 November 2014	Institutional placement less transactions costs	a	36,036,036	38,589
12 December 2014	Share purchase plan	b	3,923,628	4,355
23 December 2014	Conditional placement	c	6,306,306	7,000
	Deferred tax credit recognised in equity		-	425
31 December 2014	**Closing balance**		**484,853,684**	**383,580**

a. Institutional placement

In November 2014 the Company completed an institutional placement of 36,036,036 ordinary shares at an issue price of $1.11 per share.

b. Share purchase plan

In December 2014, the Company issued 3,923,628 shares at an issue price of $1.11 per share to participating eligible shareholders under the Peet Share Purchase Plan (SPP).

c. Conditional placement

In December 2014, the Company issued 6,306,306 shares at an issue price of $1.11 per share under a conditional placement to Scorpio Nominees Pty Ltd (a company and trust associated with the Chairman of Peet Limited).

8. Earnings per share

Basic and diluted earnings per share

	December 2014 Cents	December 2013 Cents
Basic earnings per share	3.8	3.1
Diluted earnings per share	3.8	3.1

Reconciliation of earnings used in calculating earnings per share

	December 2014 $'000	December 2013 $'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	17,128	13,224
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	445,605,519	432,997,427
Adjustments for calculation of diluted earnings per share:		
Options	1,200,000	1,200,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	446,805,519	434,197,427

9. Contingencies and commitments

	December 2014 $'000	June 2014 $'000
Bank guarantees outstanding	18,945	19,450
Insurance bonds outstanding	12,821	13,079
	31,766	**32,529**

Contingent liabilities

As at 31 December 2014 an equity accounted investee Forde Joint Venture (through Forde Developments Pty Limited) has a contingent liability to the Land Development Agency (LDA) for development services rendered for the period from 1 July 2008 to 30 June 2011. At this stage the timing is not known and the amount is unquantifiable, however, it could be up to $0.45 million. This liability relates to a dispute with the Australian Taxation Office (ATO) for GST with whom the LDA transacts. The outcome of this dispute may impact the Forde Joint Venture and the amount of development services that it has charged. The LDA intends to defend the matter vigorously.

Contingent assets

In relation to the Forde Joint Venture matter noted above, during the period ended 31 December 2014, the LDA received GST refunds from the ATO for GST claims relating to the period from 1 July 2011 to the end of the development project for the above development services. This refund has not yet been passed onto the Forde Joint Venture as the amount relates to the above matter which is under dispute with the ATO. CIC's share of this refund is within the range of $0 to $1.5 million. No amount has been recognised in the financial report.

10. Dividends

(a) Dividends paid

The Directors declared a final unfranked dividend of 3.5 cents per share in respect of the year ended 30 June 2014. The dividend of $10.6 million (net of dividend reinvestment) was paid on 31 October 2014.

(b) Dividends not recognised at period end

Subsequent to 31 December 2014, the Directors have declared an interim dividend of 1.5 cents per share fully franked in respect to the year ending 30 June 2015. The dividend is to be paid on Friday, 17 April 2015, with a record date of Thursday, 26 March 2015.

(c) Dividend Reinvestment Plan (DRP)

The Company's Dividend Reinvestment Plan (DRP), which provides shareholders with an opportunity to acquire shares in the Company, is activated and further details are included in a separate announcement to the market.

11. Fair value measurements

Measurement

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 31 December is $4.7 million (30 June 2014: $3.3 million).

Disclosure

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

The quoted market value (on ASX) of a convertible note as at 31 December 2014 is $106. At 31 December 2014, the carrying value of the convertible note debt is $48.2 million.

12. Events after the end of the reporting period

On 25 February 2015, CIC Australia Limited announced a proposed buy-back of minority shares not held by majority shareholder Peet Limited via a scheme of arrangement. This transaction has not yet been finalised and is not reflected in the financial report. The indicative terms may be withdrawn or modified and are conditional on a number of events and approvals as per the ASX announcement of 25 February 2015. The Board cautions that there is no assurance that a transaction will be implemented.

No other matters or circumstances have arisen since the end of the half 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.

13. Acquisitions

The Group acquired interests in two joint ventures, Golden Bay Estate and Bluestone Mount Barker Estate during the half-year ended 31 December 2014 for a total consideration of $30 million. The interest in Golden Bay and Bluestone Mount Barker Estate are joint arrangements, which Peet and it's investment partners 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. These joint arrangements provide the Group with rights to the net assets.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 10 to 20 are in accordance with the *Corporations Act 2001,* including:

(i) complying with AASB 134 *Interim Financial Reporting*, 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 31 December 2014 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Peet Limited will be able to pay its debts as and when they become due and payable.

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

Brendan Gore
Managing Director and Chief Executive Officer

26 February 2015

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

To the members of Peet Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Peet Limited, which comprises the consolidated balance sheet as at 31 December 2014, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Peet Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Peet Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

Peter McIver

Peter McIver
Partner
Perth
26 February 2015