# ANNUAL REPORT
# 2017

PEET

# **ANNUAL** REPORT 2017

## CONTENTS



"Our focus is to create high-quality masterplanned residential communities for homebuyers across Australia, and achieve the best possible results for our shareholders, investors and partners."

The Village at Wellard, WA

# Business OVERVIEW

The Peet Group has a diversified land bank across all mainland state and territories, with a pipeline of approximately 52,000 lots worth $13.8 billion. This represents 17 years' lot supply based on current sales rates.

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

Our focus is to create high-quality masterplanned residential communities for homebuyers across Australia, and achieve the best possible results for our shareholders, investors and partners, which include State and Federal Government agencies and major Australian institutions. These are in addition to our syndicate and company investors.

We seek to add value to our communities with the inclusion of medium-density housing and the delivery and/or facilitation of key amenities such as shopping centres, schools, medical centres, pharmacies, childcare centres and other local services in some estates.

Investment in other community infrastructure such as parks and playgrounds as well as the creation and installation of iconic works of public art, support the creation of a sense of identity and a unique place for residents within the communities we develop.


Flagstone City, QLD

We pride ourselves on the sound governance framework, strong management, breadth of business skills and modern project management systems and procedures which underpin all our development and marketing activities.

The Group employs approximately 240 people in offices throughout mainland Australia and has in-house expertise in a range of relevant disciplines. We also draw on the specialist expertise of highly qualified and experienced consultants as required for each project.

We currently have 57 projects across the country. The wide and varying nature of these developments reflect the skills and experience of the Group and demonstrate the commitment to innovation and excellence that drives the entire team, as well as a strong understanding of, and connection to, our core markets.

In the 2017 financial year, the Group has achieved another increase in profit on the back of continuing strong conditions across the east coast markets. Heading into the 2018 financial year, our portfolio is well positioned for sustainable, long-term growth and the Group will continue to deliver an innovative and diverse mix of product and infrastructure.

# PEET VALUES

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

**TEAMWORK**
**WE** recognise the strength of working together and encourage the development of our 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.

Googong, NSW

# Performance AT A GLANCE

## HIGHLIGHTS

OPERATING AND STATUTORY PROFIT[1] AFTER TAX OF **$44.8 MILLION**

REVENUE OF **$311.4 MILLION**

EARNINGS PER SHARE OF **9.14 CENTS**

DIVIDENDS OF **4.75 CENTS PER SHARE,** FULLY FRANKED

TOTAL LOTS SETTLED **3,077**

TOTAL LOTS SOLD **3,000**

**TWO NEW** WHOLESALE FUNDS ESTABLISHED

NET EBITDA[2] MARGIN OF **29%**

**GEARING[4] OF 21.4%** (AS AT 30 JUNE 2017)

**EBITDA[2] OF $91.1 MILLION**

**2,186[3]** CONTRACTS ON HAND AS AT 30 JUNE 2017

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

2 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $15.3 million (FY16: $16.7 million).

3 Includes equivalent lots. Excludes englobo sales.

4 Calculated as (Total interest bearing liabilities (including land vendor liabilities) less cash)/(Total assets adjusted for market value of inventory less cash, less intangible assets), excluding Syndicates consolidated under AASB10.

### OPERATING PROFIT AFTER TAX ($M)

↑ 5%

| FY15: 38.5 | FY16: 42.6 | FY17: 44.8 |
|---|---|---|

### DIVIDENDS (CPS)

↑ 6%

| FY15: 4.5 | FY16: 4.5 | FY17: 4.75 |
|---|---|---|

### OPERATING EPS (CPS)

↑ 5%

| FY15: 8.3 | FY16: 8.7 | FY17: 9.14 |
|---|---|---|

### EBITDA[2] ($M)

↑ 2%

| FY15: 92.4 | FY16: 89.8 | FY17: 91.1 |
|---|---|---|

### NET EBITDA[2] MARGIN (%)

↓ 3%

| FY15: 26% | FY16: 32% | FY17: 29% |
|---|---|---|

**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. It 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.


Cornerstone Werribee, VIC

Newhaven Tarneit, VIC *(Artist's Impression)*

# Chairman's REVIEW

On behalf of the Board of Peet Limited, I am pleased to present to you our 2017 Annual Report.

The Australian residential property market continued to show differences across the country during the 2017 financial year with Victoria sustaining its strong market position, ACT/New South Wales and South Australia remaining solid, and Queensland continuing to improve. Conditions in Western Australia and the Northern Territory remained subdued.

The strategic benefits of Peet's geographically diversified portfolio, buoyed by the stronger performing eastern seaboard markets, saw an increase in profit and a strong rise in cash inflows and a reduction in gearing. I draw your attention to the Managing Director and CEO's Review and the 2017 Financial Report for further consideration of these matters.

Peet successfully launched several new estates during the year; Newhaven and Summerhill in Victoria; Flagstone City and Eden's Crossing in Queensland, Burrabella in New South Wales and Movida in Western Australia. The activity generated at these new estates, together with the continuing strong conditions in Victoria, helped offset the effects of the completion of a number of successful projects in the 2016 financial year, such as Quarters and Livingston in Victoria, and Flagstone Rise and Warner Lakes The Reserve in Queensland.

Following the end of the financial year, in July 2017, Peet was named the Western Australian Government's preferred proponent for final negotiations as development partner for a major housing project on a 220-hectare landholding in Brabham, 22km north-east of the Perth CBD which will be delivered in partnership with the WA Housing Authority. Peet will establish a new wholesale fund to jointly develop the project, with Peet appointed as the development manager.

Another significant achievement for the company during the 2017 financial year included the establishment of two new wholesale funds. These funds involve the co-ownership with Supalai Public Company – a real estate developer listed on the Thailand Stock Exchange – of residential land projects at Newhaven in Tarneit in the strong growth western corridor of Melbourne; and Eden's Crossing in Redbank Plains, less than 30km west of Brisbane. These projects are expected to be strong contributors to Peet's earnings over the next decade.

In line with our strategy of managing the pipeline of projects with a focus on maximising the return on capital, Peet sold an undeveloped englobo parcel in Rockbank, west of Melbourne, for $30.5 million during the year. The settlement is expected to occur in the 2018 financial year.

It was pleasing to see a number of Peet projects recognised with prestigious industry awards during the year. These awards provide important affirmation that Peet is continuing to be at the forefront of innovation in creating new communities. They are also a measure of our senior executive management and project teams' expertise and commitment to excellence, against their industry peers and market competitors.

Googong (a joint venture with Mirvac) was named Best Southern NSW Regions & ACT Development and received a commendation in the Environmental Technology and Sustainability category at the Urban Development Institute of Australia (UDIA) (NSW) Awards for Excellence. The Village at Wellard (a joint venture with the WA Housing Authority) was named Best Sustainable Urban Development of the Year at the UDIA (WA) Awards for Excellence and also received the Value-adding award at the National Growth Areas Alliance Congress Awards.

**“The Peet Group, with its national land bank, supported by a strong balance sheet, is well positioned for sustainable long-term growth.”**

Our innovative approach to medium density housing was also rewarded with Lightsview Apartments in South Australia, and Invita Apartments in Western Australia both winning the Medium Density Development Award at their respective state UDIA awards.

### The year ahead

The Peet Group is well positioned for the year ahead, with a diversified portfolio of properties and a strong balance sheet.

The 2018 financial year will see the commencement of a number of new projects in key markets across Australia. I refer you to the Managing Director and CEO's Review for further detail.

We will maintain a disciplined focus on capital management and look forward to maximising returns to our shareholders.

Subsequent to 30 June 2017, Peet issued $50 million of Series 2, Tranche 1 Peet Bonds. The Bonds further diversified the Group's debt profile, increased the weighted average maturity of Peet's debt and, further strengthened the Group's balance sheet to support its growth objectives.

### Dividends

The Directors were pleased to declare a final dividend for the 2017 financial year of 3.00 cents per share, fully franked. This brought the total dividend for the year to 4.75 cents per share, fully franked, an increase of 6% on the 2016 financial year dividend payment of 4.50 cents per share, fully franked.

### Conclusion

The Australian property market is cyclical. While Peet can be impacted by fluctuations in the market or macro-economic movements, the company has proved its capacity over many decades to manage through various cycles.

We will continue to identify growth opportunities and to manage the Group's pipeline of projects with a focus on maximising return on capital employed; and continue the proactive and disciplined approach to investment in the development of a mix of product and infrastructure to meet market demand, particularly in the stronger performing east coast markets.

I take this opportunity to express my appreciation to my fellow Directors and to pay tribute to Managing Director and CEO Brendan Gore, the senior executive and leadership group, and the Peet team around the country who demonstrate their commitment to innovation and excellence in the delivery of a range of exciting communities across Australia.

I look forward to the next financial year with the Group well placed to continue to meet the challenges and deliver positive results for our investors, partners and residents.

Tony Lennon

**Tony Lennon**
**Chairman**

**10 October 2017**




Tonsley, SA *(Artist's Impression)*


Googong, NSW



# Managing Director AND CEO'S REVIEW

The 2017 financial year was a positive one for the Peet Group, consolidating our national expansion, launching a number of new projects and continuing to implement our business strategies.

Our diversified land bank meant we were well positioned to take advantage of the continuing strong conditions across the east coast, with price growth being recorded particularly across our Victorian portfolio. The 2017 financial year also saw signs of improvement in the Queensland portfolio, with increased levels of sales and enquiries.

The improved performance resulted in an operating profit and statutory profit after tax of $44.8 million, up 5% on FY16, and earnings per share of 9.14 cents, also up 5%.

The Group derived revenue of $311.4 million, up 9%, with 3,077 lots settled, with a gross value of $844.3 million. The contribution from eastern states' projects rose to 86% of EBITDA, up from 82% last year – the Group's total EBITDA of $91.1 million was up 2% on FY16.

There were 3,000 lots sold, with a gross value of $860.3 million and we entered FY18 with good momentum and 2,186 contracts on hand valued at $545.7 million.

Our strategic partnerships, with Government and other development partners, continue to be fundamental to Peet's ongoing strength and success with solid performances at Lightsview (Renewal SA), Googong (Mirvac) and Flagstone (MTAA Super) in particular contributing to this year's results. We are also proud to be continuing to work with the WA Housing Authority at The Village at Wellard and Golden Bay, and look forward to progressing the new Brabham project in FY18.

Peet maintains a disciplined focus on capital management. The increase in profits derived during the year was accompanied by a strong increase in cash inflows from operations, and a reduction in gearing to 21.4% by the end of FY17 – at the lower end of the Group's target range of 20% to 30% and down from 28.8% at the end of FY16.

At 30 June 2017, the Group had interest-bearing debt (including Peet Bonds) of $249.8 million, compared with $266.9 million at 30 June 2016. Approximately 89% of the Group's interest-bearing debt was hedged as at 30 June 2017, compared with 84% at 30 June 2016.

Lightsview, SA

> **Peet will continue to target the delivery of shareholder value and quality residential communities around Australia.**

We continue to strive for business improvement, and to seek innovative ways of delivering the best outcomes to our investors, partners and the residents in our communities.

An important part of that is investing in new technology, and in FY17 we implemented an ERP system to streamline our financial systems and processes, and launched a new digital platform including social media channels. The redevelopment of the Peet website has delivered improved functionality with data analytics providing greater customer insight and enabling us to deliver optimised and targeted marketing to customers in addition to informing future product mix.

To that end, we also continued to increase the diversity of our product portfolio, to ensure we offer housing options for all stages of life, designed to suit different lifestyles and budgets so people can live the life they want to. This includes a variety of land options – from family size homesites to smaller compact lots – through to a range of fully finished homes, townhouses and apartments.

**Group Strategy**

Peet will continue to target the delivery of shareholder value and 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, with a focus on affordable product.

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

- continuing to deliver high-quality, masterplanned communities, adding value and facilitating additional investment in amenity and services wherever possible;
- managing the Group's land bank of approximately 52,000 lots, with a focus on maximising return on capital employed;
- continuing to assess opportunities to selectively acquire residential land holdings in a disciplined manner under our funds management platform and as appropriate in market conditions;
- maintaining a focus on cost and debt reduction.

Approximately 70% of the Group's land bank is in development, and this is expected to move to more than 80% over the next two years. To achieve that, we look forward to bringing some significant new projects into development, including the Tonsley project in SA, the University of Canberra project and Atria Apartments projects in the ACT, the Palmview project in Queensland and moving towards start-up of the Brabham project in WA. These projects are expected to be long-term drivers of earnings in the years ahead.

**Outlook**

The Peet Group has moved into the 2018 financial year well-positioned to target growth on 2017 financial year earnings, subject to market conditions and the timing of settlements, with earnings expected to be weighted to the second half of the financial year.

The outlook for Peet Group's portfolio of residential development landholdings is positive, and we are well positioned for sustainable long-term growth despite the mixed market conditions which continue across the country.

The east coast markets are expected to remain strong – with strong population and economic growth continuing to support demand in Victoria, the ACT and New South Wales. South Australia will also remain supportive, with our projects being well positioned in good proximity to the Adelaide CBD. To the west and north of the country, conditions, while showing signs of stabilising, are expected to remain subdued throughout the 2018 financial year and into 2019.

Our continued success is made possible by Peet's team of dedicated and hard-working individuals who operate across every mainland state and territory and work diligently on behalf of our investors, partners and residents.

I would also like to thank the Board and shareholders of Peet Limited for their continued valuable support during the year.

**Brendan Gore**
**Managing Director and Chief Executive Officer**

**10 October 2017**

# *Operating and* FINANCIAL REVIEW

**The increase in profit was achieved on the back of continuing strong conditions across the Group's east coast markets, with price growth continuing to be achieved, particularly across the Victorian portfolio.**

## HIGHLIGHTS

TOTAL LAND BANK OF ALMOST **52,000 LOTS** WITH AN ON-COMPLETION VALUE OF AROUND **$13.8 BILLION**

**3,000** TOTAL LOTS SOLD WITH A GROSS VALUE OF **$860.3 MILLION**

**3,077** TOTAL LOTS SETTLED WITH A GROSS VALUE **OF $844.3 MILLION**

**✔ 2,186**[5] CONTRACTS ON HAND AS AT 30 JUNE 2017 **GROSS VALUE OF $545.7 MILLION**

5 Includes equivalent lots. Excludes englobo sales



Aston Craigieburn, VIC

The Peet Group achieved pleasing results in FY17 with an operating profit and statutory profit after tax of $44.8 million for the year ended 30 June 2017, which represents an increase of 5% on FY16.

The increase in profit was achieved on the back of continuing strong conditions across the Group's east coast markets, with price growth continuing to be achieved, particularly across the Victorian portfolio. FY17 also saw the level of enquiries and sales improve across the Group's Queensland portfolio, underpinning an improved performance from this portfolio.

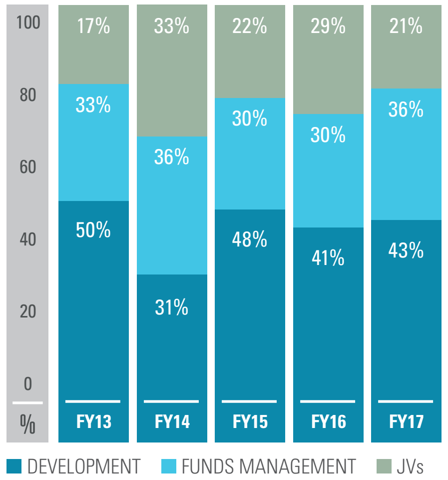
The Group derived EBITDA of $91.1 million during FY17, compared to $89.8 million in FY16, with a margin of 29% (FY16: 32%). This still solid margin was impacted by the product mix sold during the year and the substantial completion in FY16 of successful projects across the country. Additionally, FY17 saw a ramping up of production across the Queensland portfolio, particularly at Flagstone City, where the initial focus has been on building market share and momentum.

The performance has resulted in earnings per share of 9.1 cents for the year ended 30 June 2017, compared to 8.7 cents per share in FY16, representing an increase of 5%.

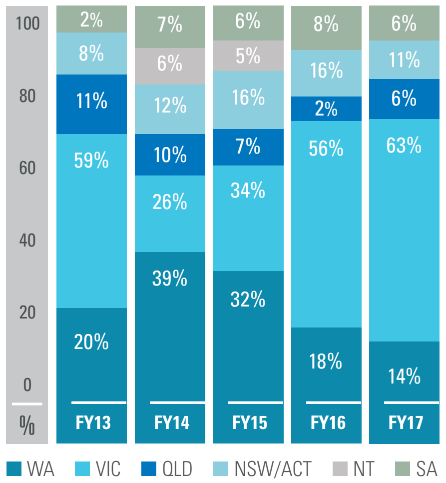
During the year, Peet announced the establishment of two new wholesale funds. These funds involve the co-ownership of residential land development projects with Supalai Public Company (a real estate developer listed on the Thailand Stock Exchange) – Newhaven in Tarneit in the high-growth western corridor of Melbourne, and Redbank Plains less than 30 kilometres from Brisbane. These projects are expected to be strong contributors to the Group's earnings over the next decade.

6 Includes effects of non-cash movements in investments in associates and joint ventures.

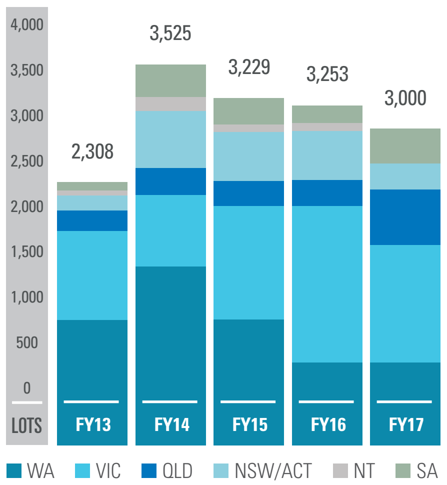
**EBTIDA[6] COMPOSITION BY BUSINESS TYPE %**




**EBTIDA[6] COMPOSITION BY GEOGRAPHY %**




**SALES COMPOSITION BY GEOGRAPHY (LOTS)**




In line with its strategy of managing its pipeline of projects with a focus on maximising return on capital, Peet sold an undeveloped englobo parcel in Rockbank, west of Melbourne, Victoria for $30.5 million. The sale is subject to planning-related conditions, with settlement expected to occur in FY18.

The increase in profits derived during the year was accompanied by a strong increase in cash inflow from operations and a reduction in gearing.

The Group achieved 3,000 lot sales, with a gross value of $860.3 million, and 3,077 settlements, with a gross value of $844.3 million, for the full year, representing a decrease of 8% and an increase of 7%, respectively compared with FY16.

The lower sales reflected, in part, the substantial completion of successful projects during 2016 and continuing subdued conditions in the Western Australian and Northern Territory property markets.

During the year, the Group successfully launched several new estates; Newhaven and Summerhill in Victoria; Flagstone City and Eden's Crossing in Queensland, Burrabella in New South Wales and Movida in Western Australia. The activity generated at these new estates, together with the continuing strong conditions in Victoria, helped offset the effects of the completion of a number of successful projects in the 2016 financial year, such as Quarters and Livingston in Victoria, and Flagstone Rise and Warner Lakes The Reserve in Queensland.

Approximately 54% of the Group's settlements were achieved in the second half of FY17 and, as at 30 June 2017, there were 2,186 contracts on hand with a gross value of $545.7 million, providing strong momentum heading into the 2018 financial year.

Summerhill Botanic Ridge, VIC

This compares with 2,426 contracts on hand with a gross value of $545.7 million at 30 June 2016. While the number of contracts on hand is down, their value is the same as last year reflecting strong price increases achieved across the east coast portfolio.

### Risk management

The Group's operating and financial performance is influenced by a number of risks impacting the property sector. These include 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, particularly in relation to infrastructure and environmental management.

Global and domestic 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.

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 and invests appropriately to ensure it has the systems, skills and processes in place to manage them.

**Project portfolio**

The Peet Group's diversified land bank is strategically located in the growth corridors of major cities in every mainland state and territory. The diversity is both geographic and across our Funds Management, Joint Ventures and Development businesses and enables Peet to manage the variable market conditions around the country.

Peet manages and markets high-quality residential projects, often on behalf of syndicate, joint venture or co-investment partners. The Group's emphasis is on larger, masterplanned community projects, underpinning future cash flows and performance.

As was the case in FY16, in FY17 the strength of the Group's east coast projects, and its Victorian projects in particular, offset the performance of its projects in the subdued Western Australian and Northern Territory markets.

As at 30 June 2017, the Group's total land bank was almost 52,000 lot equivalents with an estimated on-completion value of approximately $13.8 billion, strategically weighted to the eastern states and with more than 80% of all lots within the Funds Management and Joint Venture business. The land bank represents approximately 17 years' lot supply based on current sales rates and of note is the Queensland land bank, representing almost 17,700 lots, which provides significant exposure to an improving market cycle.

At the end of FY17, approximately 70% of the Group's land bank was in development and this is expected to increase to more than 80% in development by FY19.

The Group will continue to manage its land bank strategically with a focus on maximising return on capital employed and assessing opportunities to selectively acquire residential land holdings in a disciplined manner under our funds management platform and as appropriate in market conditions. It will also maintain a focus on cost and debt reduction.

During FY17, the Group launched a number of new projects with a further five projects to be launched in the next two years. Approximately 95% of the lots in these projects sit within the Funds Management and Joint Venture business. These projects have an average duration of more than 7 years providing visibility of future earnings and cash flows.

Two of these projects are the 3,300-lot University of Canberra project in the ACT which will see a mix of units and townhouses constructed over the next 15 to 20 years, and the 850-dwelling high density mixed use development in the Tonsley Innovation District south west of Adelaide which will be delivered as a joint venture with Renewal SA.

The Group will continue to deliver high-quality, masterplanned communities, adding value and facilitating additional investment in amenity and services wherever possible and deliver a mix of innovative products to meet market demand in the growth corridors of major Australian cities, with a focus on affordable product.

Key projects in FY18 will include Flagstone in Queensland, a 12,000-lot community with a GDV[7] of more than $3.4 billion, being developed in joint venture with MTAA Super. This 1,245 hectare greenfield masterplanned community is situated in the key South East Queensland growth corridor 38km south west of Brisbane CBD.

> **“Peet entered FY18 with a strong balance sheet that will be applied to bringing into production significant opportunities secured over the last 12 to 18 months.”**

The $1.8 billion, 6,000-dwelling Googong community in NSW is being developed in joint venture with the Mirvac Group and will accommodate three schools, community and childcare facilities, two local neighbourhood centres, a major town centre and 30 hectares of sporting facilities linked by 200 hectares of open space.

Following the end of the financial year, in July 2017, Peet was named the Western Australian Government's preferred proponent for final negotiations as development partner for a major housing project on a 220-hectare landholding in Brabham, 22 kilometres north-east of the Perth CBD which will be delivered in partnership with the WA Housing Authority. Peet will establish a new wholesale fund to jointly develop the project, with Peet appointed as the development manager.

**Capital management**

The Group continued to identify growth opportunities and to manage its pipeline of projects with a focus on maximising its return on capital employed; and continued its proactive and disciplined approach to investment in the development of a mix of product and infrastructure to meet market demand, particularly in the stronger performing east coast markets.

The Peet Group maintains a disciplined focus on capital management, and at 30 June 2017, the Group's gearing[8] reduced to 21.4%, from 28.8% at 30 June 2016.

During FY17, the Group achieved a strong increase in cash inflows from operations and reduced gearing. At 30 June 2017, the Group had interest-bearing debt (including Peet Bonds) of $249.8 million, compared with $266.9 million at 30 June 2016. Approximately 89% of the Group's interest-bearing debt was hedged as at 30 June 2017, compared with 84% at 30 June 2016.

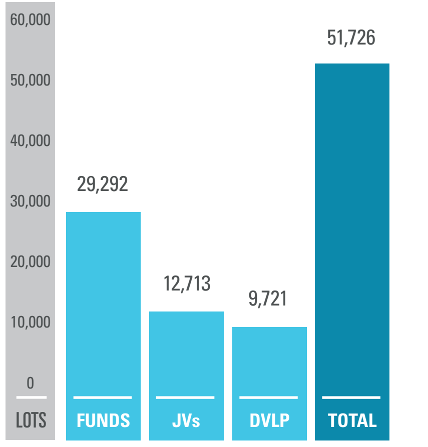
**Dividend payments**

Subsequent to year-end, the Directors declared a final dividend for FY17 of 3.00 cents per share, fully franked. This brings the total dividend for FY17 to 4.75 cents per share fully franked, which is an increase of 6% on the FY16 dividend (4.50 cents per share, fully franked).

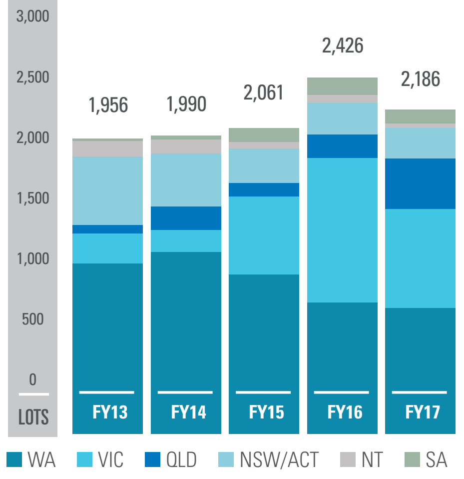
The dividend is to be paid on 4 October 2017, with a record date of 22 September 2017.

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

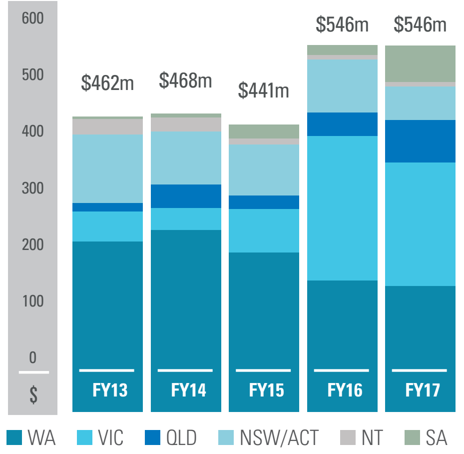
**LAND BANK COMPOSITION BY BUSINESS TYPE (LOTS[9])**




**CONTRACTS ON HAND BY GEOGRAPHY (LOTS[10])**




**CONTRACTS ON HAND BY GEOGRAPHY (VALUE[10])**




7 Gross Development Value

8 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash)/(Total assets adjusted for market value of inventory less cash, less intangible assets), excluding Syndicates consolidated under AASB10.

9 Includes equivalent lots.

10 Includes equivalent lots and excludes englobo sales.

# FUNDS MANAGEMENT

## HIGHLIGHTS

**1,756** TOTAL LOTS SOLD

FOR A GROSS VALUE OF **$419.5 MILLION**

**1,912** TOTAL LOTS SETTLED FOR A GROSS VALUE **OF $466.6 MILLION**

EBITDA[11] OF **$36.7 MILLION** UP **24%**

EBITDA[11] MARGIN OF **70%**

**1,328**[12] CONTRACTS ON HAND WITH A TOTAL VALUE OF **$294.9 MILLION** AS AT 30 JUNE 2017

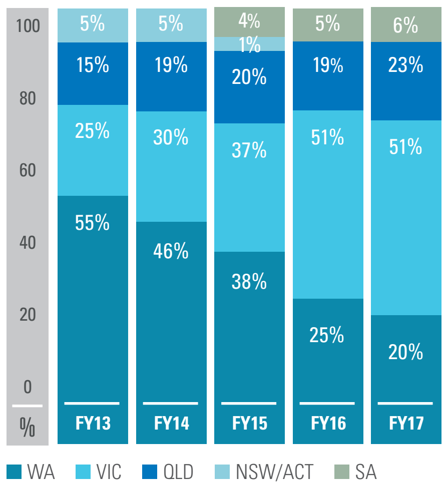
11 Includes effects of non-cash movements in investments in associates.

12 Includes equivalent lots.

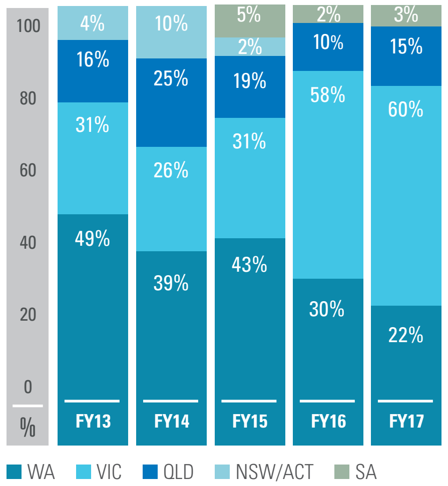


Shorehaven Alkimos, WA

**FM SALES COMPOSITION BY GEOGRAPHY (LOTS)**




**FM EBITDA[13] COMPOSITION BY GEOGRAPHY**




The Peet Group manages a number of projects on behalf of land syndicates and under project management and co-investment arrangements. The Funds Management portfolio comprises almost 30,000 lots – or 58% of the Group's total portfolio – with an on-completion value of about $7.9 billion.

The Funds Management business performed solidly in FY17, with the strong performance of projects in the Victorian and Queensland markets more than offsetting the weaker performance of projects in the subdued Western Australian market, and the substantial completion of sales in several syndicate projects in FY16, including Quarters and Livingston in Victoria.

The period saw the first full-year of sales from Cornerstone in Werribee, Victoria, and Movida in Midvale, Western Australia.

There were 1,756 lots sold during the year for a gross value of $419.5 million, compared with 1,978 lots for a gross value of $481.2 million in FY16, and 1,912 lots settled for a gross value of $466.6 million, compared to 1,508 settlements in FY16 with a gross value of $376.7 million.

During FY17, the Funds Management business provided solid capital-light earnings representing 36% the Group's EBITDA[13]. Fee revenue for the year increased by 16% over the previous year to $48.3 million and the EBITDA[13] margin of 70% was up 2% on that achieved in FY16 (68%).

13 Includes effects of non-cash movements in investments in associates.

> The Group's Funds Management business performed solidly in FY17, with a strong performance from projects in Victoria and Queensland."

Riverbank Caboolture, QLD


Hilbert Park, WA

# JOINT VENTURES

## HIGHLIGHTS

**735** TOTAL LOTS SOLD

FOR A GROSS VALUE OF **$191.2 MILLION**

**741** TOTAL LOTS SETTLED FOR A GROSS VALUE **OF $189.9 MILLION**

EBITDA[14] OF **$21.2 MILLION**

EBITDA[14] MARGIN OF **35%**

**420**[15] CONTRACTS ON HAND

WITH A TOTAL VALUE OF **$112.8 MILLION** AS AT 30 JUNE 2017

The Peet Group has a number of high-profile joint venture projects across its portfolio, including The Village at Wellard in WA (WA Housing Authority), Googong in New South Wales (Mirvac Group) and Lightsview in South Australia (Renewal SA).

There were 735 lot sales across the Group's Joint Venture projects with a gross value of $191.2 million, up from 712 lots sales with a gross value of $172 million in FY16. A total of 741 lots were settled with a gross value of $189.9 million, compared to FY16 which saw 941 lots settled with a gross value of $218.3 million.

At 30 June 2017, there were 420 contracts on hand with a gross value of $112.8 million.

The result was that FY17 saw a reduced contribution from the Group's Joint Venture's predominantly due to the timing of settlements from Lightsview in SA, and reduced contribution from The Village at Wellard in WA in line with WA market conditions. This has been partially offset by the commencement of earnings from Eden's Crossing in QLD.

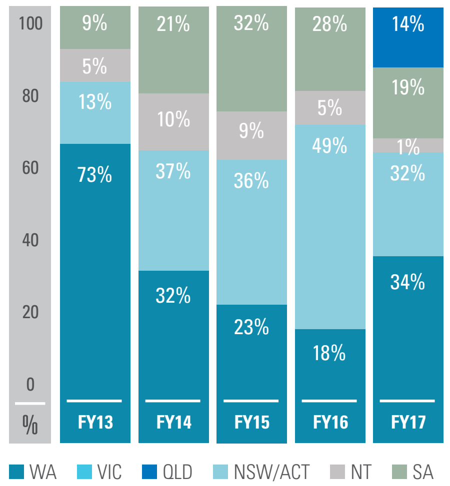
At year end, Group's Joint Venture projects comprised more than 12,500 lots, with an estimated on-completion value of just over $3.7 billion.

14 Includes effects of non-cash movements in investments in joint ventures.

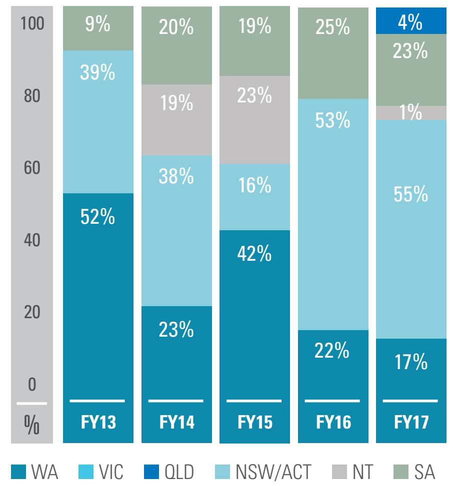
15 Includes equivalent lots.

The Heights, Durack, NT

**JV SALES BY GEOGRAPHY (LOTS)**




**JV EBITDA[14] COMPOSITION BY GEOGRAPHY**



# DEVELOPMENT PROJECTS

## HIGHLIGHTS

**509**[16] TOTAL LOTS SOLD

FOR A GROSS VALUE OF **$249.6 MILLION**

**424** TOTAL LOTS SETTLED FOR A GROSS VALUE **OF $187.8 MILLION**

**EBITDA OF $43.7 MILLION**

**438**[17] CONTRACTS ON HAND

WITH A TOTAL VALUE OF **$138 MILLION**

AS AT 30 JUNE 2017

EBITDA MARGIN OF **23%**

There was an increase in contribution from the Group's Development business in FY17, underpinned by the strong Victorian market and commencement of settlements from new projects including Little Green in Melbourne's high growth western corridor, and Greenlea Baldivis south of Perth.

There were 509 lot sales achieved with a gross value of $249.6 million, compared with the 563 lot sales with a gross value of $255.7 million in FY16. A total of 424 lots were settled with a gross value of $187.8 million, an increase on FY16, which saw 417 lots settled with a gross value of $162.1 million. This included settlement of the sale of land to the Peet Werribee Land Syndicate (Cornerstone) and the settlement of two other super lot parcels.

As at 30 June 2017, there were 438 contracts on hand with a gross value of $138 million, compared to 488 contracts on hand with a gross value of $116.4 million as at 30 June 2016.

Revenue growth was supported by strong price growth across the Victorian projects, up 25% to $192.8 million. EBITDA was 8% higher than the previous year, increasing to $43.7 million in FY17 with an EBITDA margin slightly down from 26% in FY16, to 23%.

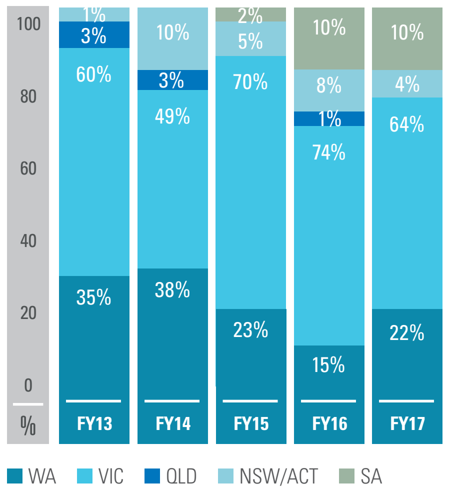
At year end, the Peet Group's Development projects comprised more than 9,500 lots, with an estimated on-completion value of almost $2.2 billion.

16 Includes super lots

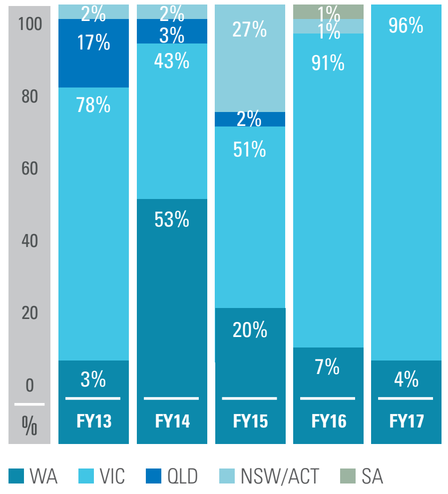
17 Includes equivalent lots and excludes Arena englobo sale

Greenlea Baldivis, WA

**DEVELOPMENT SALES COMPOSITION BY GEOGRAPHY (LOTS[16])**




**DEVELOPMENT EBITDA COMPOSITION BY GEOGRAPHY**



# SUSTAINABILITY

Sustainability is at the heart of how Peet creates communities and our developments are helping to shape some of the newest and fastest growing corridors in Australia. Our holistic approach to planning and design balances social, economic and environmental considerations to ensure these new communities reflect the values of Australia's diverse society and appeal to a broad spectrum of homebuyers.

As industry leaders, our planning and investment is a catalyst driving the essential services and quality facilities that underpin long-term community health and prosperity. Innovative, accessible housing is sensitively integrated within the natural environment and closely orientated to existing work centres and neighbouring communities.

During the 2017 financial year, our commitment to sustainability was again acknowledged with The Village at Wellard, in Western Australia, receiving the Best Sustainable Urban Development Award at the UDIA (WA) Awards for Excellence and the Value Adding award at the 2016 National Growth Areas Alliance Congress Awards.

Lakelands Shopping Centre


Parkindula Precinct at Bluestone, Mt Barker *(Artist's Impression)*

## Other highlights during the 2017 financial year included:

### History unearthed at Googong

Extensive heritage surveys associated with construction planning at Googong, near Canberra, continue to unearth important aspects of the district's history including the remnants of the region's first school. The schoolhouse was built in the 1880s and operated for 20 or 30 years but all records of its location had been lost. An archaeological dig, in partnership with the Australian National University, excavated artefacts from the rare site which will be vested with The Anglican School Googong to teach children about their local history.

### Lakelands Town Centre

After years of planning and negotiation, the $50 million Lakelands Shopping Centre opened its doors in June 2017. The 20,000sqm centre brings substantial new amenity and jobs to the urban strip between Rockingham and Mandurah, one of the fastest growing regions in Western Australia. Located inside Lakelands Private Estate, the new retail centre has attracted market leaders Coles, K-Mart and ALDI, along with 40 specialty stores and extensive community services, including a childcare centre, library, medical services, restaurants, fast food outlets and a 24/7 gym.

### First lots released at Newhaven

Peet responded to growing affordability pressures in the Victorian housing market with the release, this year, of a new community in Melbourne's western suburbs. Newhaven in Tarneit will significantly add to the supply of affordable and accessible product available to entry-level homebuyers and expand Peet's footprint in this developing region. The Newhaven masterplan will deliver 1,200 homes and includes provision for a primary school.

### Traffic planning at Riverbank

Peet and Moreton Bay Regional Council have agreed to jointly fund a $16 million bridge at Riverbank, north of Brisbane. The thoroughfare will form part of a new arterial road network helping to relieve mounting traffic pressure around the satellite township of Caboolture. The two-lane bridge will cross Cundoot Creek, a tributary of the Caboolture River, creating a new eastern entrance from Peet's Riverbank community directly onto the Bruce Highway (M1), and significantly reduce travel time to Brisbane CBD.

### Parkindula Village at Bluestone

Parkindula Village, the historic homestead and stables at Bluestone, Mt Barker, in the Adelaide Hills, is being given a fresh lease on life. The renovation will preserve and enhance the facility which is one of the region's key heritage assets. New community meeting areas will be incorporated, to be managed by Mount Barker District Council, and the building will also be used as a Sales and Information Centre for the Bluestone development.

### First school opens at Shorehaven

The first school at Shorehaven at Alkimos opened for the start of the 2017 school year. Northshore Christian Grammar School welcomed its first intake of kindergarten to Year 6 students. The new facility brings employment opportunities and quality education and convenience to families in this major residential community on Perth's north coast.

### Flagstone pioneers move in

Flagstone, in Queensland, welcomed its first residents this year. There has been strong demand from "pioneer" homebuyers keen to get an early footing in the new satellite city which is the centre of one of the biggest new greenfields residential growth areas in Australia. The first neighbourhood comprises approximately 300 lots of which almost 80% were sold by year end. Over the next 25 years, the massive Flagstone City masterplan is expected to deliver 12,000 homes and a fully-equipped 126 hectare CBD.

# *Peet* IN THE COMMUNITY

At Peet we believe that community living is much more than finding an address for your new home – it's choosing the lifestyle you'd like to live. We plan our communities around people – with 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 a diverse and healthy social life.

It's also about choice. Being able to choose the home you want, no matter what your age or stage of life, and being surrounded by quality homes in a well-maintained neighbourhood.

## Just some of the highlights in the 2017 financial year include:

### Community and corporate partnerships

Peet's community partnerships program is designed to provide grants that build capacity in our own communities and in the regions in which our residents and their families become involved.

Throughout the 2017 financial year we were pleased to support more than 30 local groups and organisations, and to continue working alongside our five corporate partners; Military Art Program Australia, Alongside, Legacy Australia's Operation Legacy Australia Kokoda Challenge 2017, Anglicare WA's Peet Big Lunch and the Santos UCI Tour Down Under.


Boogong Event at Googong

Local groups and organisations supported include sporting teams like the Googong Hogs AFL Club, Lightsview Cycling Team, the Swimming WA – Open Water Swim series event at Shorehaven at Alkimos and the Devon Meadows Cricket Club; community groups such as the Mt Barker Apex Club and Two Rocks Yanchep Assisted Cancer Travels; environmental initiatives like the Tarneit College community garden; Friends of the Spectacles (FOTS) and Lakelands Go Green team.

### Boogong at Googong

One of the largest Peet community events held around the country during the year attracted more than 15,000 people to Canberra's biggest fancy dress party as Halloween descended on Googong for the third annual Boogong extravaganza. Thousands of families came out to play, complete with elaborate costumes and special effects makeup, to share the unique community event.

### @peetcommunities connected

The Peet Communities Facebook page was launched in February 2017 as a space for all stakeholders to come together, be inspired, learn and share ideas. The page is used to share stories and photos from our residents, provide tips to help people through the home buying, building and decorating process, and to find out more about what makes living in a Peet community so great.


Mamma Knows Melbourne partnership

Military Art Program Australia

### Joining forces with the 'experts in fun'

Our commitment to innovation keeps us looking for new ways to deliver exciting lifestyle opportunities for residents in our communities across the country. During the year, Peet joined forces with 'experts in fun,' the Mamma Knows Melbourne team, in an exclusive partnership to guide the design and development of the parks and playgrounds at Cornerstone and Newhaven in the west, and Aston and Aspect in the north.


Mamma Knows Melbourne partnership

### Art for the frontline

Peet is very proud to support the work of Military Art Program Australia (MAPA) which uses art as its base to help current and former serving Defence Force veterans deal with issues that come from active service. MAPA provides a monthly series of free art classes which cater for skills from beginners to advanced allowing maximum participation and learning for all levels, puts on an annual art exhibition, and during FY17 launched the #ArtintheField project to extend its program to those on operations.


Military Art Program Australia

# *Promoting* **HEALTHY** ACTIVE LIFESTYLES

Peet recognises that Australian lifestyles are evolving and we are creating communities that respond to the changing needs of homebuyers at all stages of life. More than ever, residents are making the most of the shared spaces – parks and open spaces that are designed as a kind of 'communal backyard' with places to get active and also relax with parklands, waterways, walking and cycling trails, BBQs, shelters, and play equipment.

Every Peet community is different, and our parks and open spaces reflect that individual style.

Golden Bay, WA



Gumnut Park, Googong

## Some of the highlights during the 2017 financial year included:

### Spring Mountain's first park

A shortage of acreage building lots, less than an hour's drive from Brisbane, has sparked strong demand for lots at the Spring Mountain Estate, in Greenbank. Despite their huge backyards, residents celebrated the community's first park and the chance to meet their neighbours at a community barbecue. The picturesque recreation space, set in rolling green lawns under the shade of massive gumtrees, includes a half soccer field, a half basketball court, picnic facilities and a playground.

### Gumnut Park adventure play at Googong

Googong's park designers were determined to bring adventure back into educational play with the opening of their newest creation at Gumnut Park. The fantasy space features giant gumnut-shaped climbing pods and outdoor ping pong tables. It is one of more than 23 parks and playgrounds in the Googong masterplan that will account for almost $90 million being invested in landscaping over the life of the project.

### Colour blocks at Golden Bay

A landmark new playground at Golden Bay features large distinctive coloured building blocks and a life-size block tractor. Custom-designed by landscape architects EPCAD it's the only one of its kind in Western Australia and also offers shade structures, a large lawn kick-about area with a dedicated yoga deck, and seating area for adults as well as three trampolines, a tunnel slide, climbing structures, a rope bridge and sand play areas – all covered by shade structures.

### Destination Aspect

The $2 million flagship Destination Park at Apsect in Greenvale covers almost two-hectares and includes an adventure playground, picnic shelters with barbeque facilities, walking paths, amphitheatre-style steps and a large grassed area where people can enjoy the views over the Greenvale Reservoir to the Melbourne CBD.

### Central Precinct at Lightsview

At five-hectares, the new $7 million Central Precinct at Lightsview will contribute about a third of the open space in Adelaide's newest suburb and provide an exciting variety of areas for recreation and relaxation – including the formal lake, a youth precinct, playgrounds, 10 wetlands and kick-about areas. It incorporates best practice design features from the National Heart Foundation's 'Healthy by Design' policy which underpins the Lightsview masterplan and ensures the suburb is highly connected, safe for pedestrians and cyclists, promotes health and well-being and encourages a reduced reliance on cars.

# Corporate CALENDAR

**22 September 2017**
Record date for FY17 dividend

**4 October 2017**
Payment date for FY17 dividend

**5 October 2017**
Interest payment date for Peet Bond holders (Series 2, Tranche 1)

**27 October 2017**
Annual report and Notice of AGM dispatched to investors

**29 November 2017**
2017 Peet AGM – Parmelia Hilton Perth Hotel

**18 December 2017**
Interest payment date for Peet Bond holders (Series 1, Tranche 1)

**5 January 2018**
Interest payment date for Peet Bond holders (Series 2, Tranche 1)

**February 2018**
Release of results for the half year ended 31 December 2017

**5 April 2018**
Interest payment date for Peet Bond holders (Series 2, Tranche 1)

**18 June 2018**
Interest payment date for Peet Bond holders (Series 1, Tranche 1)

# FINANCIALS 2017

## CONTENTS





# Directors’ Report

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 2017 (‘the Group’).

## 1. 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 commercial experience 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. A former President of the Real Estate Institute of Western Australia, he has also served as a Councillor of the national body, the Real Estate Institute of Australia.

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.

## 1. 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 Diploma in Business Administration while on a Graduate Management Training Scheme with 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.

### TREVOR ALLEN
### BCOMM (HONS), CA, FF, FAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Trevor Allen joined Peet in April 2012.

Mr Allen has almost 40 years' experience in the corporate and commercial sectors, primarily as a corporate and financial adviser 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 and Fresh Dairy One Pty Ltd. These are joint venture companies, which have been formed to hold various dairy sector investments as part of the Freedom Group.

He is a Non-executive Director of Eclipx Limited, where he chairs its Audit Committee and is a member of its Remuneration Committee. He is also a Non-executive Director of Yowie Group Limited, where he has recently been acting as Interim Chair.

Mr Allen is also Chairman of Brighte Capital Pty Limited, a start-up company financing residential solar and batteries.

Prior to Mr Allen's non-executive roles, he had 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 for 12 years. At the time of his retirement from KPMG in 2011 he was the lead partner in its National Mergers and Acquisitions group.

From 1997 – 2000, he was Director – Business Development for Cellarmaster Wines, having responsibility for the integration and performance of a number of acquisitions made outside Australia in that period.



## 1. DIRECTORS (CONTINUED)

### 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 Chair of its People and Performance Committee.

### 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 was also a Non-executive Director of Bankwest until November 2012 and of Brierty Limited until September 2011.

His other current directorships include Chairman of Tox Free Solutions Limited and Non-executive Director of Programmed Maintenance Services Limited.

## 2. 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 2017, the Group managed and marketed a land bank of approximately 52,000 lots in the growth corridors of major mainland Australian cities.

There was no significant change in the nature of the activities during the year.

## 3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS

### OPERATING AND FINANCIAL REVIEW

KEY RESULTS[1]

- Operating profit[2] and statutory profit[3] after tax of $44.8 million, up 5%
- Earnings per share of 9.1 cents, up 5%
- FY17 dividends of 4.75 cents per share, fully franked, up 6%
- Revenue[4] of $311.4 million with 3,077 lots settled
- EBITDA[5] of $91.1 million, up 2%
- EBITDA[5] margin of 29%
- 2,186[6] contracts on hand as at 30 June 2017
- Gearing[7] of 21.4%

FINANCIAL COMMENTARY

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $44.8 million for the year ended 30 June 2017, which represents an increase of 5% on FY16.

The increase in profit was achieved on the back of continuing strong conditions across the Group's east coast markets, with price growth continuing to be achieved, particularly across the Victoria portfolio. FY17 also saw the level of enquiries and sales improve across the Group's Queensland projects, underpinning an improved performance from this portfolio.

The Group derived EBITDA[5] of $91.1 million during FY17, compared to $89.8 million in FY16, with a margin of 29% (FY16: 32%). The margin is always impacted by the product mix developed and sold in line with prevailing market conditions during the year. The FY17 margin was also affected by the substantial completion in FY16 of several successful projects across the country. Additionally, FY17 saw a ramping up of production across the Queensland portfolio, particularly at Flagstone, where the initial focus has been on building market share and momentum.

The performance has resulted in earnings per share of 9.1 cents for the year ended 30 June 2017, compared to 8.7 cents per share in FY16, representing an increase of 5%.

During the year, Peet announced the establishment of two new wholesale funds. These funds involve the co-ownership of residential land development projects with Supalai Public Company, a real estate developer listed on the Thailand Stock Exchange, and projects in the strong western growth corridor of Melbourne (Newhaven, Tarneit) and Redbank Plains (Eden's Crossing) less than 30 kms from Brisbane. These projects are expected to be strong contributors to the Group's earnings over the next decade.

In line with its strategy of managing its pipeline of projects with a focus on maximising return on capital, Peet sold an undeveloped englobo parcel in Rockbank, west of Melbourne, Victoria for $30.5 million. The sale is subject to planning-related conditions, with settlement expected to occur in FY18.

The increase in profits derived during the year was accompanied by a strong increase in cash inflow from operations and a reduction in gearing to 21.4% – at the lower end of the Group's target range of 20% to 30%.

1 Comparative period is 30 June 2016, 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 includes the effects of non-cash movements in investments in associates and joint ventures totalling $15.3 million (FY16: $16.7 million). 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 Included is statutory revenue of $296.0 million (FY16: $268.1 million) and share of net profits from associates and joint ventures of $15.3 million (FY16: $16.7 million).
5 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $15.3 million (FY16: $16.7 million).
6 Includes equivalent lots. Excludes englobo sales.
7 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash)/(Total assets adjusted for market value of inventory less cash, less intangible assets), excluding Syndicates consolidated under AASB10.



## 3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

OPERATIONAL COMMENTARY

The Group achieved 3,000 sales (with a gross value of $860.3 million) and 3,077 settlements (with a gross value of $844.3 million) for the full year, representing a decrease of 8% and an increase of 7%, respectively compared with FY16.

During the year, the Group successfully launched a number of new estates including Cornerstone and Newhaven in Victoria, Flagstone City and Eden's Crossing in Queensland, Mt Pleasant in NSW/ACT and Movida in Western Australia. Together with the continuing strong conditions in Victoria, the activity from these new estates partially offset the completion of successful projects such as Quarters and Livingston in Victoria and Flagstone Rise and Warner Lakes The Reserve in Queensland.

Approximately 54% of the Group's settlements were achieved in the second half of FY17 and, as at 30 June 2017, there were 2,186[8] contracts on hand, with a gross value of $545.7 million, providing strong momentum into FY18. This compares with 2,426 contracts on hand with a gross value of $545.7 million at 30 June in 2016. While the number of contracts on hand are down, their value is the same as last year reflecting, in part, strong price increases achieved across the east coast portfolio and the product mix sold during the year.

**Funds management projects**

The Group's Funds Management business performed solidly in FY17, with the strong performance of projects in the Victorian and Queensland markets more than offsetting the performance of projects in the weaker Western Australia market and the substantial completion of sales in several syndicates in FY16 (Quarters (Vic) and Livingston (Vic)). FY17 also saw the first full-year of sales from the Cornerstone (Vic) and Movida (WA) projects.

- 1,756 lots sold for a gross value of $419.5 million, compared with 1,978 lots ($481.2 million) in FY16.
- 1,912 lots settled for a gross value of $466.6 million, compared with 1,508 lots ($376.7 million) in FY16.
- 1,328 contracts on hand[9] as at 30 June 2017 with a total value of $294.9 million, compared with 1,510 contracts[9] ($314.7 million) as at 30 June 2016.
- EBITDA[10] of $36.7 million compared with $29.6 million in FY16.
- EBITDA[10] margin of 70%, compared with 68% in FY16.

**Development projects**

The increase in contribution from the Group's Development business is underpinned by the strong Victorian market and the commencement of settlements from new projects. The Aston (Vic) project made a significant contribution to earnings during the year and settlement revenue commenced to be received from the Little Green (Vic) and Greenlea (WA) projects. The settlement of the sale of land to the Peet Werribee Land Syndicate (Cornerstone, Vic) and the settlement of super lot parcels also contributed positively to FY17 performance.

- 509 lots sold for a gross value of $249.6 million, compared with 563 lots ($255.7 million) in FY16.
- 424 lots settled for a gross value of $187.8 million, compared with 417 lots ($162.1 million) in FY16.
- 438 contracts on hand[8] as at 30 June 2017 with a total value of $138.0 million, compared with 488 contracts[8] ($116.4 million) as at 30 June 2016.
- EBITDA[10] of $43.7 million compared with $40.3 million in FY16.
- EBITDA[10] margin of 23%, compared with 26% in FY16.

8 Includes equivalent lots. Excludes englobo sales.
9 Includes equivalent lots.
10 EBITDA is a non-IFRS measure that includes effects of non-cash movements in associates and joint ventures totalling $15.3 million (FY16: $16.7 million).

## 3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

**Joint arrangements**

The reduced contribution from the Group's Joint Arrangements business in FY17 is predominantly due to the timing of settlements from Lightsview (SA) and reduced contributions from The Village at Wellard (WA) in line with WA market conditions. This has been partially offset by the commencement of earnings from Eden's Crossing (Qld).

- 735 lots sold for a gross value of $191.2 million, compared with 712 lots ($172.0 million) in FY16.
- 741 lots settled for a gross value of $189.9 million, compared with 940 lots ($218.3 million) in FY16.
- 420 contracts on hand [11] as at 30 June 2017 with a total value of $112.8 million, compared with 428 contracts [11] ($114.6 million) as at 30 June 2016.
- EBITDA [12] of $21.2 million compared with $28.3 million in FY16.
- EBITDA [12] margin of 35%, compared with 40% in FY16.

**Land portfolio metrics**

| | FY17 | FY16 | Change |
|---|---|---|---|
| Lot sales | 3,000 | 3,253 | (7.8%) |
| Lot settlements | 3,077 | 2,865 | 7.4% |
| Contracts on hand as at 30 June [13] | | | |
| – Number | 2,186 | 2,426 | (9.9%) |
| – Value | $545.7 million | $545.7 million | – |

CAPITAL MANAGEMENT

The Peet Group maintains a disciplined focus on capital management. During FY17, the Group achieved a strong increase in cash inflows from operations and reduced gearing [14] to 21.4%, from 28.8% at 30 June 2016.

At 30 June 2017, the Group had interest-bearing debt (including Peet Bonds) of $249.8 million, compared with $266.9 million at 30 June 2016. Approximately 89% of the Group's interest-bearing debt was hedged as at 30 June 2017, compared with 84% at 30 June 2016.

Peet enters FY18 with a strong balance sheet that will be applied towards the funding of significant opportunities secured over the last 12 to 18 months, and the development of existing projects. These include the Tonsley urban renewal project in SA, the University of Canberra project in ACT and the Brabham project in WA. These projects are expected to be long-term drivers of earnings in the years ahead.

Subsequent to 30 June 2017, Peet issued $50 million of Series 2, Tranche 1 Peet Bonds, which further diversifies the Group's debt structure and increases the weighted average maturity of Peet's debt to more than three years.

11 Includes equivalent lots.
12 EBITDA is a non-IFRS measure that includes effects of non-cash movements in associates and joint ventures totalling $15.3 million (FY16: $16.7 million).
13 Includes equivalent lots. Excludes englobo sales.
14 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash)/(Total assets adjusted for market value of inventory less cash, less intangible assets), excluding Syndicates consolidated under AASB10.



## 3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

DIVIDENDS

Subsequent to the year end, the Directors declared a final dividend for FY17 of 3.0 cents per share, fully franked. This brings the total dividend for FY17 to 4.75 cents per share, fully franked, which is an increase of 6% on the FY16 dividend (4.5 cents per share, fully franked). The dividend is to be paid on Wednesday, 4 October 2017, with a record date of Friday, 22 September 2017.

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

GROUP STRATEGY

The Group will continue to target the delivery of shareholder value and 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, with a primary focus on affordable product.

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

- continuing to deliver high-quality, masterplanned communities, adding value and facilitating additional investment in amenity and services wherever possible;
- managing the Group's land bank of approximately 52,000 with a focus on maximising return on capital employed;
- continuing to assess opportunities to selectively acquire residential land holdings in a disciplined manner under our funds management platform and as appropriate in market conditions; and
- maintaining a focus on cost and the level of debt.

FY18 will see the commencement of development of a further three projects in key markets across Australia.

Subsequent to the year end, Peet announced that it had been named the Western Australian Government's preferred proponent for final negotiations as development partner for a housing project on a 220-hectare landholding in Brabham – 22 kilometres from the Perth CBD. As part of the Brabham joint venture, Peet will establish a new fund with a wholesale investor to jointly develop the project, with Peet appointed as the development manager.

RISKS

The Group's operating and financial performance is influenced by a number of risks impacting the property sector. These include 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, particularly in relation to infrastructure and environmental 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.

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 16 to the Financial Report.

## 3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

OUTLOOK

The Peet Group's portfolio of residential development landholdings, supported by a strong balance sheet, is well positioned for sustainable long-term growth and the outlook is generally supported by market fundamentals with sustained low interest rates and modest economic growth.

The Australian residential property market conditions continued to differ across the states during FY17 and this is expected to continue during FY18:

- conditions across Victoria, ACT/New South Wales and South Australia are expected to remain supportive;
- Western Australia, while stabilising, is expected to remain subdued throughout FY18 and into FY19; and
- the Queensland residential market is expected to continue to improve due to its relative affordability.

The Group has moved into FY18 well-positioned to target growth on FY17 earnings, subject to market conditions and the timing of settlements, with earnings expected to be weighted to the second half.

## 4. EARNINGS PER SHARE

| | 2017 Cents | 2016 Cents |
|---|---|---|
| Basic and diluted earnings per share | 9.14 | 8.70 |

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 2017. The weighted average number of shares on issue used to calculate earnings per share is discussed at note 7 to the Financial Report.

## 5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## 6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 4 July 2017, it was announced that Peet Limited ("Peet") had been named the Western Australian Government's preferred proponent for final negotiations as development partner for a housing project on a 220-hectare landholding in Brabham – 22 kilometres from the Perth CBD. The Brabham joint venture will potentially yield more than 3,000 dwellings, schools and neighbourhood shops and recreational areas. As part of this joint venture, Peet will establish a new wholesale fund with a wholesale investor to jointly develop the project, with Peet appointed as the development manager.

On 5 July 2017, Peet announced the close of the issue of 500,000 Series 2, Tranche 1 Peet Bonds, raising a total of $50 million.

No other 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.

## 7. DIVIDENDS

In August 2016, the Directors declared a final dividend of 2.75 cents per share, fully franked, in respect of the year ended 30 June 2016. The dividend of $13.5 million was paid on Friday, 14 October 2016.

In February 2017, the Directors declared an interim dividend of 1.75 cents per share, fully franked, in respect to the year then ending 30 June 2017. The dividend of $8.6 million was paid on Friday, 21 April 2017.

Subsequent to 30 June 2017, the Directors have declared a final dividend of 3.00 cents per share, fully franked, in respect to the year ended 30 June 2017. The dividend is to be paid on Wednesday, 4 October 2017, with a record date of Friday, 22 September 2017.

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

## 8. 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 to the relevant contractor undertaking the works, and the remainder of the Group's activities fall below the reporting thresholds for the FY17 reporting period.

## 9. 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* | 13 | 12 | – | – | – | – | 1 | 1 |
| B D Gore | 13 | 13 | – | – | – | – | 1 | 1 |
| A J Lennon* | 13 | 11 | 5 | 5 | – | – | 1 | 1 |
| T J Allen* | 13 | 10 | 5 | 5 | 3 | 3 | 1 | 1 |
| V Krause | 13 | 13 | – | – | 3 | 3 | 1 | 1 |
| R J McKinnon | 13 | 13 | 5 | 5 | 3 | 3 | 1 | 1 |

* Directors were absent due to calling of non-scheduled meetings or the rescheduling of meetings which clashed with prior commitments.

## 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 R J McKinnon and Ms V Krause will retire by rotation and offer themselves for re-election. Your Board of Directors recommend the re-election of Mr R J McKinnon and Ms V Krause.

## 12. REMUNERATION

Dear Shareholder,

Peet is pleased to present its Remuneration Report for the year ended 30 June 2017. 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.

The 2017 financial year represented another year of growth as Peet achieved an operating net profit after tax of $44.8 million, up 5% on the $42.6 million achieved in the 2016 financial year. During the year, Peet secured several new projects, further diversified its debt capital strengthening its balance sheet and continued to deliver on its strategy for growth.

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.

## 12. REMUNERATION (CONTINUED)

While the statutory financial statements show total revenue of $296.0 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of $91.1 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 $296.0 million and EBITDA of $91.1 million, the properties that Peet is also responsible for within its Fund Management and Joint Arrangement businesses generated revenues of $541.8 million and EBITDA of $109.7 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 2017 was the same as for the previous year.
- There were no increases in the base pay of the KMP (including NEDs) during the year ended 30 June 2017.
- Short–term incentives will be paid to the KMP in respect of the year ended 30 June 2017. This follows a positive assessment of the individual member's performance against a balanced scorecard, which includes consideration of Group financial and strategic targets, together with individual targets.
- During the year, long-term incentive performance conditions were tested as at 30 June 2016 resulting in the partial vesting of performance rights. The vesting was met by way of ordinary shares acquired on market during the 2017 financial year.

Peet also takes the opportunity to confirm that the MD's base pay for the year ending 30 June 2018 will be the same as 2017, notwithstanding his contractual entitlement to an adjustment of at least CPI. Additionally, the 2018 base pays of all other KMP (NEDs and executives) will remain the same as their 2017 base pays. The base pay of the MD and NEDs was last amended with effect from 1 July 2014.

We encourage our shareholders to use the cash value of remuneration realised table on page 56 to assess the remuneration outcomes for KMP in the year ended 30 June 2017 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 2017 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 2017. 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 remuneration-related arrangements was disclosed to the market on 5 August 2011 with certain parts approved by shareholders at the 2011 AGM.



## 13. REMUNERATION REPORT (AUDITED) (CONTINUED)

### 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.

In prior years, the Remuneration Committee of the Board had given consideration to the most appropriate financial measure to align the creation of shareholder value with incentive arrangements for senior management. Consideration was given to relative performance against comparable listed companies, measuring growth in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), relative performance in measures such as Return on Equity (ROE) and Return on Capital Employed (ROCE) and absolute performance in measures such as ROE, ROCE and earnings per share.

Over the last several years, the Remuneration Committee has recommended to the Board, and it has agreed, to assess financial performance for the purposes of long-term incentive awards against ROCE, together with funds under management growth.

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.

NON-EXECUTIVE DIRECTORS' FEES (INCLUDING THE CHAIRMAN'S FEES)

Fees and payments to NEDs reflect the demands which are made on, and the responsibilities of, the Directors. 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 2014. NEDs may also be entitled to fees where they represent Peet on the Board of Syndicates.

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.

EXECUTIVE PAY

The Company's pay and reward framework for an Executive Director and other (non-director) KMP 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.



13. REMUNERATION REPORT (AUDITED) (CONTINUED)

**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 2017 and 2016 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 his direct reports (being the non-director KMP).

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.

For the year ended 30 June 2017, the MD and other Executives were assessed as follows against the KPIs:

| | Weighting | | % Achieved | | % Forfeited | |
|---|---|---|---|---|---|---|
| Category | MD | Executives | MD | Executives | MD | Executives |
| Financial | 50.0% | 50.0% to 62.5% | 50.0% | 50.0% to 60.0% | – | 0.0% to 5.1% |
| Strategic | 25.0% | 5.0% to 50.0% | 20.0% | 5.0% to 42.0% | 5.0% | 0.0% to 8.0% |
| Stakeholder | 5.0% | 0.0% to 7.5% | 5.0% | 0.0% to 7.5% | – | – |
| People and processes improvements | 15.0% | 0.0% to 32.5% | 15.0% | 12.6% to 15.0% | – | 0.0% to 19.9% |
| Health, safety and environment | 5.0% | 0.0% to 10.0% | 5.0% | 0.00% to 10.0% | – | – |
| | 100.0% | 100.0% | 95.0% | 75.0% to 100.0% | 5.0% | 0.0% to 25.0% |

For the year ended 30 June 2016, the KPIs 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 2016 and 2015 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'.

## 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 57. 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, 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.

| | | Cash salary and fees[1] | Bonus[2] | Value of PRs vested[3] | Other[4] | Superannuation | Total |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| A W Lennon | 2017 | **216,712** | – | – | – | **20,588** | **237,300** |
| | 2016 | 216,712 | – | – | – | 20,588 | 237,300 |
| T J Allen | 2017 | **136,283** | – | – | – | **12,947** | **149,230** |
| | 2016 | 136,283 | – | – | – | 12,947 | 149,230 |
| V Krause | 2017 | **59,574** | – | – | – | **34,656** | **94,230** |
| | 2016 | 66,055 | – | – | – | 28,175 | 94,230 |
| R J McKinnon | 2017 | **108,886** | – | – | – | **10,344** | **119,230** |
| | 2016 | 108,886 | – | – | – | 10,344 | 119,230 |
| A J Lennon | 2017 | **146,055** | – | – | – | **8,175** | **154,230** |
| | 2016 | 146,055 | – | – | – | 8,175 | 154,230 |
| B D Gore | 2017 | **917,685** | **890,435** | **1,007,244** | **10,000** | **19,615** | **2,844,979** |
| | 2016 | 917,992 | 822,959 | 1,964,815 | 10,000 | 19,308 | 3,735,074 |
| Total | 2017 | **1,585,195** | **890,435** | **1,007,244** | **10,000** | **106,325** | **3,599,199** |
| | 2016 | 1,591,983 | 822,959 | 1,964,815 | 10,000 | 99,537 | 4,489,294 |
| **Other key management personnel** | | | | | | | |
| P J Dumas | 2017 | **454,998** | **267,720** | **305,494** | – | **30,000** | **1,058,212** |
| | 2016 | 455,000 | 292,188 | 595,922 | – | 30,000 | 1,373,110 |
| D Scafetta | 2017 | **330,383** | **175,000** | **166,029** | – | **19,615** | **691,027** |
| | 2016 | 330,692 | 173,075 | 302,279 | – | 19,308 | 825,354 |
| B C Fullarton | 2017 | **404,998** | **165,000** | **235,208** | – | **35,000** | **840,206** |
| | 2016 | 405,000 | 155,452 | – | – | 35,000 | 595,452 |
| Total | 2017 | **1,190,379** | **607,720** | **706,731** | – | **84,615** | **2,589,445** |
| | 2016 | 1,190,692 | 620,715 | 898,201 | – | 84,308 | 2,793,916 |

1. Cash salary and fee, 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. Calculated as the closing price of Peet shares as at 6 September 2016 ($1.00), being the date the Board confirmed the partial vesting of FY14 PRs.
4. Other includes termination benefits, long service payments, motor vehicle costs, car-parking and other benefits.





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[4,5] | Termination benefits | Total |
| | | $ | $ | $ | $ | $ | $ | $ |
| **Directors** | | | | | | | | |
| A W Lennon | 2017 | **216,712** | – | – | **20,588** | – | – | **237,300** |
| | 2016 | 216,712 | – | – | 20,588 | – | – | 237,300 |
| T J Allen | 2017 | **136,283** | – | – | **12,947** | – | – | **149,230** |
| | 2016 | 136,283 | – | – | 12,947 | – | – | 149,230 |
| V Krause | 2017 | **59,574** | – | – | **34,656** | – | – | **94,230** |
| | 2016 | 66,055 | – | – | 28,175 | – | – | 94,230 |
| R J McKinnon | 2017 | **108,886** | – | – | **10,344** | – | – | **119,230** |
| | 2016 | 108,886 | – | – | 10,344 | – | – | 119,230 |
| A J Lennon | 2017 | **146,055** | – | – | **8,175** | – | – | **154,230** |
| | 2016 | 146,055 | – | – | 8,175 | – | – | 154,230 |
| B D Gore | 2017 | **917,685** | **890,435** | **10,000** | **19,615** | **881,976** | – | **2,719,711** |
| | 2016 | 917,992 | 822,959 | 10,000 | 19,308 | 1,033,487 | – | 2,803,746 |
| Total | 2017 | **1,585,195** | **890,435** | **10,000** | **106,325** | **881,976** | – | **3,473,931** |
| | 2016 | 1,591,983 | 822,959 | 10,000 | 99,537 | 1,033,487 | – | 3,557,966 |
| **Other key management personnel** | | | | | | | | |
| P J Dumas | 2017 | **454,998** | **267,720** | – | **30,000** | **264,691** | – | **1,017,409** |
| | 2016 | 455,000 | 292,188 | – | 30,000 | 303,279 | – | 1,080,467 |
| D Scafetta | 2017 | **330,383** | **175,000** | – | **19,615** | **156,805** | – | **681,803** |
| | 2016 | 330,692 | 173,075 | – | 19,308 | 172,375 | – | 695,450 |
| B C Fullarton | 2017 | **404,998** | **165,000** | – | **35,000** | **201,498** | – | **806,496** |
| | 2016 | 405,000 | 155,452 | – | 35,000 | 232,510 | – | 827,962 |
| Total | 2017 | **1,190,379** | **607,720** | – | **84,615** | **622,994** | – | **2,505,708** |
| | 2016 | 1,190,692 | 620,715 | – | 84,308 | 708,164 | – | 2,603,879 |

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.
5. Remuneration in the form of options and/or PRs may include negative amounts as a result of changes made to vesting probability assumptions and as a result of options and/or PRs forfeited 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 | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017[1] | 2016[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 | 35% | 34% | 33% | 29% | 32% | 37% |
| **Other key management personnel** | | | | | | |
| P J Dumas | 48% | 45% | 26% | 27% | 26% | 28% |
| D Scafetta | 51% | 50% | 26% | 25% | 23% | 25% |
| B C Fullarton | 55% | 53% | 20% | 19% | 25% | 28% |

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 date and time 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.



## 13. REMUNERATION REPORT (AUDITED) (CONTINUED)

#### 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 16 | Granted | Exercised/ vested | Lapsed/ forfeited | Balance at date of report | 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 | 26 Nov 2013 | 3 yrs ended 30 June 2016 | 20 Dec 2018 | $0.00 | $1.27[1] | FUM Growth ROAFE | 1,023,622 | – | (1,007,244) | (16,378) | – | – | 3 4 |
| | 26 Nov 2014 | 3 yrs ended 30 Jun 2017 | 22 Dec 2019 | $0.00 | $1.07[1] | FUM Growth ROAFE | 833,897 | – | – | – | 833,897 | – | 3 4 |
| | 25 Nov 2015 | 3 yrs ended 30 Jun 2018 | 25 Nov 2030 | $0.00 | $0.97[1] | FUM Growth ROCE | 928,020 | – | – | – | 928,020 | – | 3 5 |
| | 23 Nov 2016 | 3 yrs ended 30 Jun 2019 | 23 Nov 2031 | $0.00 | $0.80[1] | FUM Growth ROCE | – | 1,065,114 | – | – | 1,065,114 | – | 3 5 |
| Other executives | 20 Dec 2013 | 3 yrs ended 30 June 2016 | 20 Dec 2018 | $0.00 | $1.27 | FUM Growth ROAFE | 479,190 | – | (471,523) | (7,667) | – | – | 3 4 |
| | 8 Sep 2014 | 3 yrs ended 30 Jun 2016 | 8 Sep 2019 | $0.00 | $1.27 | FUM Growth ROAFE | 239,033 | – | (235,208) | (3,825) | – | – | 3 4 |
| | 22 Dec 2014 | 3 yrs ended 30 Jun 2017 | 22 Dec 2019 | $0.00 | $0.94 | FUM Growth ROAFE | 593,328 | – | – | – | 593,328 | – | 3 4 |
| | 21 Dec 2015 | 3 yrs ended 30 Jun 2018 | 21 Dec 2030 | $0.00 | $0.96 | FUM Growth ROCE | 679,208 | – | – | – | 679,208 | – | 3 5 |
| | 21 Dec 2016 | 3 yrs ended 30 Jun 2019 | 21 Dec 2031 | $0.00 | $0.85 | FUM Growth ROCE | – | 779,546 | – | – | 779,546 | – | 3 5 |
| | | | | | | | 4,776,298 | 1,844,660 | (1,713,975) | (27,870) | 4,879,113 | – | |
| **Total** | | | | | | | **5,976,298** | **1,844,660** | **(1,713,975)** | **(27,870)** | **6,079,113** | **1,200,000** | |



## 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 26 November 2013, 26 November 2014, 25 November 2015 and 23 November 2016, being the dates of Peet Limited's, 2013, 2014, 2015 and 2016 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 performance period is then compared to the 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 $143.0 million for the three-year performance period ended 30 June 2016. Accordingly, the performance condition was partially met and on 23 August 2016 the Directors resolved that 96% of the FY14 PRs thereto vested.

The FY15, FY16 and FY17 PRs remain unvested.

### NOTE 4

These PRs are convertible to ordinary shares on a 1:1 basis, with 60% subject to the ROAFE vesting condition, measured over a three-year period from 1 July 2013 to 30 June 2016 ("FY14 Performance Period") and 1 July 2014 to 30 June 2017 ("FY15 Performance Period") respectively. ROAFE is measured as the average of the earnings before interest, tax and write-downs of inventories and/or development costs or increases in the carrying value of inventories (EBIT) divided by the average of the sum of net debt, convertible notes, contributed equity, non-controlling interests and retained earnings.

## 13. REMUNERATION REPORT (AUDITED) (CONTINUED)

The ROAFE is compared to the Board's internal target ROAFE for the FY14 and FY15 Performance Periods, respectively.

Of the PRs subject to ROAFE, 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 ROAFE of 11.58% against the target of 10.5% for the three-year performance period ended 30 June 2016. Accordingly, the ROAFE performance condition attached to the FY14 PRs was met and on 23 August 2016 the Directors resolved that 100% of the FY14 PRs relating thereto vested.

The FY15 PRs remain unvested.

**NOTE 5**

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 the same way as the ROAFE vesting condition that was used in respect of prior years' grants.

Of the 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 FY16 and FY17 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 | 3,985,539 | 1,065,114 | (1,007,244) | (16,378) | 4,027,031 | 1,200,000 |
| **Other key management personnel** | | | | | | |
| P J Dumas | 851,605 | 330,682 | (305,494) | (4,967) | 871,826 | – |
| D Scafetta | 486,569 | 198,864 | (166,029) | (2,700) | 516,704 | – |
| B C Fullarton | 652,585 | 250,000 | (235,208) | (3,825) | 663,552 | – |

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

During the year ended 30 June 2017, 1,713,975 PRs (2016: 2,602,742) had vested and were exercised by Executives at $ Nil exercise price. In order to settle the PRs exercised during year ended 30 June 2017, the Company purchased ordinary shares in the Company on-market on behalf of KMP.

Since 30 June 2017, no PRs were vested. No other options and PRs have been issued. Refer note 24 of the Financial Report for the total options and PRs outstanding.

## 13. REMUNERATION REPORT (AUDITED) (CONTINUED)

### 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:

| | | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| Net profit after tax (NPAT) | $'000 | 880 | 30,291 | 38,460 | 42,592 | **44,792** |
| NPAT growth | Growth% | (83.8%) | 3342.2% | 27.0% | 10.7% | **5.2%** |
| Net operating profit after tax (NOPAT) | $'000 | 18,346 | 31,555 | 38,460 | 42,592 | **44,792** |
| NOPAT growth | Growth% | (9.7%) | 72.0% | 21.9% | 10.7% | **5.2%** |
| Basic EPS | cents per share | 0.26 | 7.0 | 8.26 | 8.70 | **9.14** |
| Basic EPS growth | Growth% | (84.7%) | 2592.3% | 18.0% | 5.3% | **5.1%** |
| Operating EPS | cents per share | 5.4 | 7.3 | 8.26 | 8.70 | **9.14** |
| Operating EPS growth | Growth% | (14.3%) | 35.2% | 13.2% | 5.3% | **5.1%** |
| Dividends paid/payable | cents per share | – | 3.5 | 4.5 | 4.5 | **4.75** |
| Dividend paid growth | Growth% | – | 100% | 29% | – | **6%** |
| Share price 30 June | $ | 1.12 | 1.35 | 1.15 | 0.94 | **1.20** |
| Share price growth | Growth% | 67.2% | 20.5% | (14.8%) | (18.3%) | **27.7%** |

#### 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 vest $ |
| **Directors** | | | | | | | |
| A W Lennon | – | – | – | – | – | – | – |
| T J Allen | – | – | – | – | – | – | – |
| V Krause | – | – | – | – | – | – | – |
| R J McKinnon | – | – | – | – | – | – | – |
| A J Lennon | – | – | – | – | – | – | – |
| B D Gore | 95% | 5% | 2017 | – | – | 2019 | 568,511 |
| | | | 2016 | – | – | 2018 | 300,472 |
| | | | 2015 | – | – | 2018 | – |
| | | | 2014 | 98.4% | 1.6% | 2017 | – |
| | | | 2013 | 85.6% | 14.4% | 2016 | – |





| | 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 vest $ |
| **Other key management personnel** | | | | | | | |
| P J Dumas | 92% | 8% | 2017 | – | – | 2019 | 187,080 |
| | | | 2016 | – | – | 2018 | 91,658 |
| | | | 2015 | – | – | 2018 | – |
| | | | 2014 | 98.4% | 1.6% | 2017 | – |
| | | | 2013 | 85.6% | 14.4% | 2016 | – |
| D Scafetta | 100% | – | 2017 | – | – | 2019 | 112,506 |
| | | | 2016 | – | – | 2018 | 26,656 |
| | | | 2015 | – | – | 2018 | – |
| | | | 2014 | 98.4% | 1.6% | 2017 | – |
| | | | 2013 | 85.6% | 14.4% | 2016 | – |
| B C Fullarton | 75% | 25% | 2017 | – | – | 2019 | 141,435 |
| | | | 2016 | – | – | 2018 | 26,656 |
| | | | 2015 | – | – | 2018 | – |
| | | | 2014 | 98.4% | 1.6% | 2017 | – |

1. Includes performance rights for which performance conditions were met for the performance period ended 30 June 2016 and confirmed by the Directors after balance date.
2. Includes performance rights for which performance conditions were not met for the performance period.

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 1,713,975 PRs over shares in the Company and received shares in the Company during the 2017 financial year. Please refer to previous pages of the Remuneration Report for commentary on vesting conditions met during the performance period ended 30 June 2017.

| | 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 | 32% | 853,156 | 1,279,200 |
| **Other key management personnel** | | | |
| P J Dumas | 26% | 280,749 | 387,976 |
| D Scafetta | 23% | 168,836 | 210,857 |
| B C Fullarton | 25% | 212,250 | 298,715 |

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.

## 13. REMUNERATION REPORT (AUDITED) (CONTINUED)

VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING

The instructions given to validly appointed proxies in respect of the resolution pertaining to the Company's 2016 Remuneration Report were as follows:

| For | Against | Proxy's discretion | Abstain |
|---|---|---|---|
| 240,099,117 | 10,437,603 | 278,686 | 347,787 |
| 95.7% | 4.2% | 0.1% | |

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

INTERESTS IN THE SHARES, CONVERTIBLE NOTES 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 | 96,812,574 | – | 502,111 | 97,314,685 | 3,000 | – | 3,000 |
| T J Allen | 92,054 | – | – | 92,054 | 5,114 | – | 5,114 |
| V Krause | – | – | – | – | 1,000 | – | 1,000 |
| R J McKinnon | 50,000 | – | – | 50,000 | 500 | – | 500 |
| B D Gore | 3,525,994 | 1,007,244 | – | 4,533,238 | – | – | – |
| A J Lennon | 1,331,344 | – | – | 1,331,344 | 500 | – | 500 |
| **Other key management personnel** | | | | | | | |
| P J Dumas | 658,835 | 305,494 | (90,000) | 874,329 | – | – | – |
| D Scafetta | 830,109 | 166,029 | – | 996,138 | – | – | – |
| B C Fullarton | – | 235,208 | – | 235,208 | – | – | – |

Since 30 June 2017, 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 21 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 68.

## 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
24 August 2017

Building a better working world

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

As lead auditor for the audit of Peet Limited for the financial year ended 30 June 2017, 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 period.

Ernst & Young

Ernst & Young

G Lotter
Partner
24 August 2017





# Corporate Governance Statement

A copy of the Group's corporate governance policies and practices in place during the financial year ended 30 June 2017 is available at the following link:

www.peet.com.au/corporate-governance-statement-2017

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

# Financial Report

## Contents



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 24 August 2017. 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



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Revenue | 5 | 296,043 | 268,127 |
| Expenses | 6 | (240,609) | (221,659) |
| Finance costs (net of capitalised borrowing costs) | 6 | (8,337) | (4,606) |
| Share of net profit of associates and joint ventures | 10 | 15,326 | 16,685 |
| **Profit before income tax** | | **62,423** | **58,547** |
| Income tax expense | 8 | (18,163) | (16,759) |
| **Profit for the year** | | **44,260** | **41,788** |
| | | | |
| **Attributable to:** | | | |
| Owners of Peet Limited | | 44,792 | 42,592 |
| Non-controlling interests | | (532) | (804) |
| | | **44,260** | **41,788** |
| | | | |
| **Other comprehensive income** | | | |
| Items that may subsequently be reclassified to profit or loss: | | | |
| Realised losses on cash flow hedges transferred to profit or loss | | 2,307 | 2,184 |
| Unrealised gains/(losses) on cash flow hedges | | 1,857 | (6,940) |
| Share of other comprehensive income of associates | | – | 162 |
| Income tax relating to components of other comprehensive income | | (1,249) | 1,428 |
| **Other comprehensive income for the year, net of tax** | | **2,915** | **(3,166)** |
| **Total comprehensive income for the year** | | **47,175** | **38,622** |
| | | | |
| **Attributable to:** | | | |
| Owners of Peet Limited | | 47,707 | 39,426 |
| Non-controlling interests | | (532) | (804) |
| | | **47,175** | **38,622** |

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

| | Notes | Cents | Cents |
|---|---|---|---|
| Basic and diluted earnings per share | 7 | 9.14 | 8.70 |

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

# Consolidated Balance Sheet

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 88,367 | 73,373 |
| Receivables | 11 | 53,336 | 66,514 |
| Inventories | 9 | 133,237 | 147,549 |
| **Total current assets** | | **274,940** | **287,436** |
| **Non-current assets** | | | |
| Receivables | 11 | 78,002 | 48,024 |
| Inventories | 9 | 352,919 | 451,395 |
| Investments accounted for using the equity method | 10 | 213,448 | 198,115 |
| Property, plant and equipment | | 8,298 | 8,577 |
| Intangible assets | | 6,251 | 5,147 |
| **Total non-current assets** | | **658,918** | **711,258** |
| **Total assets** | | **933,858** | **998,694** |
| **Current liabilities** | | | |
| Payables | 12 | 69,509 | 81,559 |
| Land vendor liabilities | 13 | 15,975 | 16,100 |
| Borrowings | 16 | 5,791 | 5,321 |
| Current tax liabilities | | 4,698 | 9,650 |
| Provisions | 14 | 6,245 | 8,136 |
| **Total current liabilities** | | **102,218** | **120,766** |
| **Non-current liabilities** | | | |
| Land vendor liabilities | 13 | 17,853 | 73,169 |
| Borrowings | 16 | 244,017 | 261,644 |
| Derivative financial instruments | 16 | 4,551 | 8,150 |
| Deferred tax liabilities | 8 | 39,698 | 33,286 |
| Provisions | 14 | 199 | 164 |
| **Total non-current liabilities** | | **306,318** | **376,413** |
| **Total liabilities** | | **408,536** | **497,179** |
| **Net assets** | | **525,322** | **501,515** |
| **Equity** | | | |
| Contributed equity | 17 | 385,955 | 385,955 |
| Reserves | 17 | 1,417 | 7,809 |
| Retained profits | | 126,258 | 103,515 |
| **Capital and reserves attributable to owners of Peet Limited** | | **513,630** | **497,279** |
| Non-controlling interest | | 11,692 | 4,236 |
| **Total equity** | | **525,322** | **501,515** |

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

# Consolidated Statement of Changes in Equity

| | Notes | Contributed equity $'000 | Reserves $'000 | Retained profits $'000 | Total $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2015** | | **385,962** | **10,628** | **82,264** | **478,854** | **5,040** | **483,894** |
| Profit for the year | | – | – | 42,592 | 42,592 | (804) | 41,788 |
| Other comprehensive income | | – | (3,166) | – | (3,166) | – | (3,166) |
| **Total comprehensive income for the year** | | – | **(3,166)** | **42,592** | **39,426** | **(804)** | **38,622** |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Contributions of equity, net of transaction costs and tax | 17 | (7) | – | – | (7) | – | (7) |
| Transfer between reserves | | – | (1,933) | 1,933 | – | – | – |
| Share-based payments | | – | 2,280 | – | 2,280 | – | 2,280 |
| Dividends paid | | – | – | (23,274) | (23,274) | – | (23,274) |
| **Balance at 30 June 2016** | | **385,955** | **7,809** | **103,515** | **497,279** | **4,236** | **501,515** |
| **Balance at 1 July 2016** | | **385,955** | **7,809** | **103,515** | **497,279** | **4,236** | **501,515** |
| Profit for the year | | – | – | 44,792 | 44,792 | (532) | 44,260 |
| Other comprehensive income | | – | 2,915 | – | 2,915 | – | 2,915 |
| **Total comprehensive income for the year** | | – | **2,915** | **44,792** | **47,707** | **(532)** | **47,175** |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Non-reciprocal contribution to a controlled entity | | – | (7,988) | – | (7,988) | 7,988 | – |
| Capital return to non-controlling interests | | – | (1,217) | – | (1,217) | – | (1,217) |
| Vesting of performance rights | | – | (2,201) | – | (2,201) | – | (2,201) |
| Share-based payments | | – | 2,099 | – | 2,099 | – | 2,099 |
| Dividends paid | | – | – | (22,049) | (22,049) | – | (22,049) |
| **Balance at 30 June 2017** | | **385,955** | **1,417** | **126,258** | **513,630** | **11,692** | **525,322** |

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

# Consolidated Statement of Cash Flows

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 334,369 | 294,954 |
| Payments to suppliers and employees (inclusive of GST) | | (203,504) | (210,373) |
| Payments for purchase of land | | (42,376) | (50,422) |
| Interest and other finance costs paid | | (18,160) | (21,072) |
| Distributions and dividends received from associates and joint ventures | | 3,949 | 5,756 |
| Interest received | | 901 | 570 |
| Income tax paid | | (17,952) | (2,178) |
| **Net cash inflow from operating activities** | 19 | **57,227** | **17,235** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (4,426) | (3,031) |
| Payments for investment in associates | | (3,537) | (8,253) |
| Proceeds from capital returns from associates | | 744 | 3,608 |
| Loans to related parties | | (16,220) | (8,801) |
| Repayment of loans by related parties | | 21,951 | 6,880 |
| **Net cash outflow from investing activities** | | **(1,488)** | **(9,597)** |
| **Cash flows from financing activities** | | | |
| Dividends paid to Group's shareholders | | (22,049) | (23,274) |
| Repayment of borrowings | | (67,296) | (72,419) |
| Proceeds from borrowings | | 49,817 | 55,826 |
| Proceeds from issue of equity securities (net of equity raising costs) | | – | (10) |
| Proceeds from issue of Peet bonds (gross proceeds net of costs) | | – | 97,889 |
| Repayment of convertible notes (including reinvestment proceeds) | | – | (50,000) |
| Transactions with non-controlling interests (net of costs) | | (1,217) | – |
| **Net cash inflow/(outflow) from financing activities** | | **(40,745)** | **8,012** |
| Net increase in cash and cash equivalents | | 14,994 | 15,650 |
| Cash and cash equivalents at the beginning of the year | | 73,373 | 57,723 |
| **Cash and cash equivalents at the end of the year** | | **88,367** | **73,373** |

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

# Notes to the Consolidated Financial Statements

## CONTENTS

### BASIS OF REPORTING



### PERFORMANCE FOR THE YEAR



### OPERATING ASSETS AND LIABILITIES



### CAPITAL MANAGEMENT



### OTHER NOTES

# 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 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 2017. 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.



## 2. Basis of preparation (continued)

### 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 initially 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.

### 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 Group has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 July 2016. New and amended Standards and Interpretations did not result in any significant changes to the Group's accounting policies. 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 26 viii).

## 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 instrument risk management is carried out by management under policies approved by the Board of Directors and the Audit and Risk Management Committee. Management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board and Audit and Risk Management Committee provide written principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

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 16);
- liquidity risk (note 16); and
- interest rate risk (note 16).

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 2017 $'000 | Funds management 2016 $'000 | Company-owned projects 2017 $'000 | Company-owned projects 2016 $'000 | Joint arrangements 2017 $'000 | Joint arrangements 2016 $'000 | Inter-segment transfers and other unallocated 2017 $'000 | Inter-segment transfers and other unallocated 2016 $'000 | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue by segment** | | | | | | | | | | |
| Sales to external parties | 46,901 | 40,237 | 191,648 | 153,796 | 48,861 | 53,921 | 4,351 | 16,155 | 291,761 | 264,109 |
| Other revenue | 1,357 | 1,535 | 1,165 | 891 | 1,551 | 1,181 | 209 | 411 | 4,282 | 4,018 |
| Share of net profit of associates and JVs | 4,582 | 1,644 | – | – | 10,629 | 15,399 | 115 | (358) | 15,326 | 16,685 |
| **Total** | **52,840** | **43,416** | **192,813** | **154,687** | **61,041** | **70,501** | **4,675** | **16,208** | **311,369** | **284,812** |
| **Corporate overheads** | | | | | | | **(10,625)** | **(10,562)** | **(10,625)** | **(10,562)** |
| EBITDA[1] | 36,734 | 29,608 | 43,734 | 40,266 | 21,167 | 28,276 | (10,504) | (8,380) | 91,131 | 89,770 |
| Depreciation and amortisation | (50) | (55) | (1,827) | (1,964) | (125) | (304) | (1,537) | (1,208) | (3,539) | (3,531) |
| EBIT[2] | 36,684 | 29,553 | 41,907 | 38,302 | 21,042 | 27,972 | (12,041) | (9,588) | 87,592 | 86,239 |
| Financing costs (includes interest and finance costs expensed through cost of sales) | | | | | | | | | (25,169) | (27,692) |
| **Profit before income tax** | | | | | | | | | **62,423** | **58,547** |
| Income tax expense | | | | | | | | | (18,163) | (16,759) |
| **Profit for the year** | | | | | | | | | **44,260** | **41,788** |
| Loss attributable to non-controlling interests | | | | | | | | | 532 | 804 |
| **Profit attributable to owners of Peet Limited** | | | | | | | | | **44,792** | **42,592** |

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Revenue from sales of land | 235,187 | 213,281 |
| Project management, selling and performance fees | 56,574 | 50,828 |
| Other revenue | 4,282 | 4,018 |
| | **296,043** | **268,127** |

## Recognition and measurement

Revenue is recognised at the fair value of consideration received or receivable. The main streams of revenue are recognised if it meets the criteria outlined below.

### SALE OF LAND

Revenue from the sale of blocks from completed stages of land subdivision are recognised on settlement of the sale. This represents the point when risks and rewards have passed to the buyer.

### PROJECT MANAGEMENT AND SELLING FEES

Project management and selling fees are recognised where there is a signed sales contract with a buyer as this is the point at which revenue has been earned by the project manager, adjusted for estimates of sales fall over rates.

### PERFORMANCE FEES

Performance fee revenue is based on a profitability measurement in accordance with the relevant development management agreement.

### OTHER REVENUE

Other revenue includes:

- interest – this is recognised when earned, which is determined using the effective interest rate method.
- dividends – this is recognised when the Group's right to receive payment is established.
- other trading activities – this is recognised as the service required under the contract is performed.

## KEY ESTIMATES

### SALES FALL OVER RATES ON PROJECT MANAGEMENT AND 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 allowance for sales fall overs to be recognised against project management and selling fees.

Revenue from related parties included above:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Revenue from related parties**[1] | | |
| **Associates** | | |
| Project management, selling and performance fees | 42,658 | 44,147 |
| Syndicate administration fees | 1,368 | 1,587 |
| Interest | 825 | 1,535 |
| Other | 667 | – |
| **Joint arrangements** | | |
| Project management, selling and performance fees | 5,682 | 3,937 |
| | **51,200** | **51,206** |

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

# 6. Expenses

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Profit before income tax includes the following specific expenses:** | | |
| Land and development cost | 148,665 | 125,789 |
| Amortised interest and finance expense | 16,832 | 23,086 |
| **Total land and development cost** | **165,497** | **148,875** |
| Depreciation | 2,722 | 3,195 |
| Amortisation | 817 | 336 |
| **Total depreciation and amortisation** [1] | **3,539** | **3,531** |
| Employee benefits expense [2] | 33,736 | 33,614 |
| Project management, selling and other operating costs | 19,602 | 17,612 |
| Other expenses | 18,235 | 18,027 |
| **Total other expenses** | **71,573** | **69,253** |
| **Total expenses** | **240,609** | **221,659** |
| **Finance costs** | | |
| Interest and finance charges paid/payable | 12,703 | 14,868 |
| Interest on convertible notes | – | 6,296 |
| Interest on corporate bonds | 7,863 | – |
| Amount capitalised | (12,229) | (16,558) |
| | **8,337** | **4,606** |

1. Refer to note 26 (ii) and (iii) for accounting policies.
2. Refer to note 26 (iv) and (v) for accounting policies.

**Related party expenses**

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **KMP remuneration** [1] | | |
| Short-term employee benefits | 4,284 | 4,236 |
| Post-employment benefits | 191 | 184 |
| Share-based payments | 1,505 | 1,742 |
| | **5,980** | **6,162** |

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.

## 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 16).

# 7. Earnings per share

| | 2017 | 2016 |
|---|---|---|
| Profit attributable to the ordinary equity holders of the Company ($'000) | 44,792 | 42,592 |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 489,980,559 | 489,588,246 |
| Basic and diluted earnings per share (cents) | 9.14 | 8.70 |

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 24 for the number of Performance Rights (PRs) outstanding at 30 June 2017. These PRs are contingently issuable shares and accordingly not included in diluted earnings per share.

# 8. Taxes

## a. Income tax expense

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Major components of tax expense** | | |
| *Current income tax expense* | | |
| Current tax | 12,297 | 11,637 |
| Adjustments for prior periods | 703 | (693) |
| Inclusion of subsidiary in tax consolidated group | – | (2,463) |
| | **13,000** | **8,481** |
| *Deferred income tax expense* | | |
| Deferred tax | 5,866 | 7,585 |
| Adjustments for prior periods | (703) | 693 |
| | 5,163 | 8,278 |
| | **18,163** | **16,759** |
| **Deferred income tax expense included in income tax expense comprises:** | | |
| Decrease in deferred tax assets | 4,241 | 6,891 |
| Decrease in deferred tax liabilities | 922 | 1,387 |
| | **5,163** | **8,278** |
| **Tax reconciliation** | | |
| Profit before income tax | 62,423 | 58,547 |
| Tax at Australian tax rate of 30% | 18,727 | 17,564 |
| **Tax effect of amounts which are not assessable or deductible:** | | |
| Share of net profit of associates | (218) | (1,733) |
| Employee benefits | 630 | 684 |
| Franking credits | (1,184) | (287) |
| Sundry items | 208 | 531 |
| | 18,163 | 16,759 |

## 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

| Movements | Inventory $'000 | Cash flow hedges $'000 | Capital raising costs $'000 | Tax losses $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| At 1 July 2015 | 4,112 | 1,004 | 976 | 10,601 | 5,018 | 21,711 |
| Credited/(charged): | | | | | | |
| – to profit or loss | (840) | – | (286) | (4,949) | (816) | (6,891) |
| – to other comprehensive income | – | 1,428 | – | – | – | 1,428 |
| Total deferred tax assets | 3,272 | 2,432 | 690 | 5,652 | 4,202 | 16,248 |
| Set off against deferred tax liabilities pursuant to set off provisions | | | | | | (16,248) |
| At 30 June 2016 | | | | | | – |
| At 1 July 2016 | 3,272 | 2,432 | 690 | 5,652 | 4,202 | 16,248 |
| Credited/(charged): | | | | | | |
| – to profit or loss | 80 | – | (484) | (2,960) | (877) | (4,241) |
| – to other comprehensive income | – | (1,249) | – | – | – | (1,249) |
| Total deferred tax assets | 3,352 | 1,183 | 206 | 2,692 | 3,325 | 10,758 |
| Set off against deferred tax liabilities pursuant to set off provisions | | | | | | (10,758) |
| At 30 June 2017 | | | | | | – |

### c. 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 2015 | 31,308 | 8,440 | 6,728 | 581 | 1,090 | 48,147 |
| Charged/(credited): | | | | | | |
| – to profit or loss | (1,718) | (368) | 2,301 | 2,107 | (935) | 1,387 |
| Total deferred tax liabilities | 29,590 | 8,072 | 9,029 | 2,688 | 155 | 49,534 |
| Set off against deferred tax liabilities pursuant to set off provisions | | | | | | (16,248) |
| At 30 June 2016 | | | | | | 33,286 |
| At 1 July 2016 | 29,590 | 8,072 | 9,029 | 2,688 | 155 | 49,534 |
| Charged/(credited): | | | | | | |
| – to profit or loss | (1,043) | (1,554) | 2,983 | 536 | – | 922 |
| Total deferred tax liabilities | 28,547 | 6,518 | 12,012 | 3,224 | 155 | 50,456 |
| Set off against deferred tax liabilities pursuant to set off provisions | | | | | | (10,758) |
| At 30 June 2017 | | | | | | 39,698 |



# 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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Current | | |
| Cost of acquisition | 36,400 | 48,162 |
| Capitalised development costs | 70,140 | 75,663 |
| Capitalised finance costs | 26,697 | 23,724 |
| | 133,237 | 147,549 |
| Non-current | | |
| Cost of acquisition | 213,318 | 302,502 |
| Capitalised development costs | 81,031 | 83,671 |
| Capitalised finance costs | 58,570 | 65,222 |
| | 352,919 | 451,395 |
| Total inventory at cost | 486,156 | 598,944 |

### 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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Carrying amount at 1 July | 198,115 | 181,826 |
| Acquisitions/additional investments | 4,700 | 8,806 |
| Dividends | (3,949) | (5,756) |
| Capital returns | (744) | (3,608) |
| Share of profit after income tax | 15,326 | 16,685 |
| Share of other comprehensive income | – | 162 |
| Carrying amount at 30 June | 213,448 | 198,115 |

# 10. Investments accounted for using the equity method (continued)

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

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

| As at 30 June 2017 | 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) $'000 | Share of profit/(loss) $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Associates** | | | | | | | | | | |
| Peet Alkimos Pty Limited, WA | 26 | 7,952 | 379,668 | 125,351 | 28,585 | 233,684 | 61,155 | 31,404 | (1,345) | (352) |
| Peet Werribee Land Syndicate, VIC | 17 | 1,472 | 48,243 | 25,754 | 56 | 23,905 | 4,102 | 77 | (1,090) | (187) |
| Peet Caboolture Syndicate Limited, QLD | 20 | 10,996 | 49,595 | 46,231 | 5,076 | 9,284 | 1,857 | 19,182 | (1,582) | (316) |
| **Joint Ventures*** | | | | | | | | | | |
| Peet Flagstone City Pty Limited, QLD | 50 | 17,785 | 134,617 | 40,203 | 936 | 111,263 | 55,632 | 21,594 | 2,355 | 1,178 |
| Googong Township Unit Trust, NSW | 50 | 52,761 | 117,297 | 53,061 | – | 116,997 | 58,499 | 90,263 | 21,166 | 10,583 |
| Peet Golden Bay Pty Limited, WA | 50 | 4,788 | 32,333 | 5,500 | – | 31,621 | 15,811 | 13,757 | 2,434 | 1,217 |
| Peet Mt Barker Pty Limited, SA | 50 | 5,019 | 28,714 | 10,539 | 282 | 22,912 | 11,456 | 12,548 | 23 | 12 |
| Peet No.1895 Pty Limited, VIC# | 50 | 13,989 | 81,565 | 49,715 | 40,219 | 5,620 | 2,810 | 61,327 | 6,118 | 3,059 |
| Other associates | | | | | | | 1,874 | | | 22 |
| Other JVs | | | | | | | 252 | | | 110 |
| **Total** | | | | | | | **213,448** | | | **15,326** |

| As at 30 June 2016 | 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) $'000 | Share of profit/(loss) $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Associates** | | | | | | | | | | |
| Peet Alkimos Pty Limited, WA | 26 | 37,760 | 334,974 | 19,050 | 119,460 | 234,224 | 61,296 | 26,854 | 1,438 | 376 |
| Peet Werribee Land Syndicate, VIC | 17 | 17,500 | – | – | – | 17,500 | 3,003 | – | – | – |
| Peet Caboolture Syndicate Limited, QLD | 20 | 13,389 | 40,145 | 21,520 | 21,149 | 10,865 | 2,173 | 12,137 | (655) | (131) |
| **Joint Ventures*** | | | | | | | | | | |
| Peet Flagstone City Pty Limited, QLD | 50 | 4,419 | 116,207 | 16,223 | – | 104,403 | 52,202 | – | (2,147) | (1,073) |
| Googong Township Unit Trust, NSW | 50 | 65,831 | 130,710 | 9,096 | 91,526 | 95,919 | 47,961 | 50,447 | 22,554 | 11,276 |
| Peet Golden Bay Pty Limited, WA | 50 | 13,900 | 23,728 | 4,984 | – | 32,644 | 16,322 | 15,363 | 2,519 | 1,260 |
| Peet Mt Barker Pty Limited, SA | 50 | 12,237 | 21,853 | 11,129 | – | 22,961 | 11,481 | 12,566 | 1,155 | 578 |
| Crace Developments Pty Limited, ACT | 80 | 2,919 | 79 | 155 | 2,154 | 689 | 551 | 5,582 | 12,851 | 3,598 |
| Other associates | | | | | | | 3,126 | | | 801 |
| Other JVs | | | | | | | – | | | – |
| **Total** | | | | | | | **198,115** | | | **16,685** |

* Refer to note 10(c) for further breakdown of financial information of joint ventures
# New joint venture in FY17

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. The Group has no further contractual obligations to provide ongoing financial support.



# 10. Investment 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 2017 | 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 | 13,042 | – | 36,021 | – | 1,014 |
| Googong Township Unit Trust | 3,151 | 39,463 | – | 103 | (14) |
| Peet Golden Bay Pty Limited | 5,822 | – | – | – | 1,043 |
| Peet Mt Barker Pty Limited | 5,434 | 5,000 | – | – | 14 |
| Peet No. 1895 Pty Limited | 14,022 | – | 38,923 | 101 | 1,409 |
| **As at 30 June 2016** | | | | | |
| Peet Flagstone City Pty Limited | 1,013 | – | – | – | (920) |
| Googong Township Unit Trust | 31,455 | – | 69,131 | 7 | (23) |
| Peet Golden Bay Pty Limited | 2,413 | – | – | – | 1,080 |
| Peet Mt Barker Pty Limited | 4,234 | – | – | – | 495 |
| Crace Developments Pty Limited | 1,294 | – | – | – | – |

1. Excluding trade and other payables and provisions

## 11. Receivables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables[1] | 20,147 | 12,391 |
| Accrued income[2] | 25,005 | 21,416 |
| Loans to associates and joint ventures[3] | 6,609 | 27,811 |
| Other receivables | 1,575 | 4,896 |
| | 53,336 | 66,514 |
| **Non-current** | | |
| Loans to associates and joint ventures[3] | 66,787 | 35,950 |
| Other receivables[4] | 11,215 | 12,074 |
| | 78,002 | 48,024 |
| **Total receivables** | 131,338 | 114,538 |

1. Trade receivables are non-interest bearing and generally have 30-60 day terms. There were no impaired trade receivables at the end of the year for the Group (2016: $Nil).
2. These amounts represent project management and performance fees from associates and other managed entities.
3. 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%.
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.

**Related party balances with associates and joint ventures included above:**

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current** | | |
| Trade and accrued income | 31,214 | 23,391 |
| Loans to associates and joint ventures | 6,609 | 27,811 |
| **Non-current** | | |
| Loans to associates and joint ventures | 66,787 | 35,950 |
| Other receivables | 6,861 | 7,433 |
| **Total** | 111,471 | 94,585 |

Movements in loans to associates and joint ventures:

| | | |
|---|---|---|
| **Carrying amount at 1 July** | 63,761 | 59,845 |
| Loans advanced to associates | 31,220 | 8,801 |
| Loan repayments from associates | (21,951) | (6,880) |
| Other | 366 | 1,995 |
| **Carrying amount at 30 June** | 73,396 | 63,761 |

### Recognition and measurement

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Trade receivables generally mentioned in (1) are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method, less allowance for impairment. Other receivables are recognised on an accrual basis as the services to which they relate are performed.

Refer note 20 for fair value disclosures.

### Credit risk

The credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The maximum exposure to credit risk as at 30 June 2017 is the carrying amount of the financial assets in the consolidated financial statements.

The credit risk arising on trade and other receivables is monitored on an ongoing basis which results in the exposure to bad debts for the Group not being significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Based on the credit history of trade and other receivables, it is expected that these amounts will be received. The Group does not hold any collateral in relation to these receivables. There is no significant concentration of credit risk with respect to receivables as the Group has a large number of balances with related parties and the remaining with other parties that have a good credit history with the Group.

The Group manages this risk by:

- transacting with creditworthy counterparties that have an appropriate credit history;
- providing loans as an investment into joint ventures and associates where it is comfortable with the underlying property exposure within that entity;
- performing ongoing checks to ensure that settlement terms detailed in individual contracts are adhered to;
- regularly monitoring the performance of its associates, joint ventures and third parties; and
- obtaining collateral as security (where appropriate).

## 12. Payables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 6,997 | 7,168 |
| Unearned revenue | 13,797 | 17,779 |
| GST payable | 4,976 | 5,723 |
| Accruals and other payables | 43,739 | 50,889 |
| | 69,509 | 81,559 |

### 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 unearned revenue until settlement. Although unearned revenue is classified as a liability in the consolidated balance sheet, on settlement it will be recognised in the consolidated statement of profit or loss and not be repaid in cash.

Refer note 20 for fair value disclosures.

## 13. Land vendor liabilities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current** | | |
| Instalments for purchase of development property | 15,975 | 16,100 |
| | 15,975 | 16,100 |
| **Non-current** | | |
| Instalments for purchase of development property | 21,050 | 84,725 |
| Future interest component of deferred payments | (3,197) | (11,556) |
| | 17,853 | 73,169 |
| **Total land vendor liabilities** | 33,828 | 89,269 |

### 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 disclosed at their present value. 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 20 for fair value disclosures.

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| 0 – 1 years | 15,975 | 16,100 |
| 1 – 2 years | 14,700 | 49,625 |
| 2 – 5 years | 6,350 | 35,100 |
| **Total contractual cash flows** | 37,025 | 100,825 |
| **Carrying amount of liabilities** | 33,828 | 89,269 |

## 14. Provisions

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current** | | |
| Rebates | 3,138 | 5,154 |
| Employee entitlements | 3,107 | 2,982 |
| | 6,245 | 8,136 |
| **Non-current** | | |
| Employee entitlements | 199 | 164 |
| | 199 | 164 |
| **Total provisions** | 6,444 | 8,300 |

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Carrying amount at 1 July** | 5,154 | 7,992 |
| Charged/(credited) to the statement of profit or loss: | | |
| – Additional provision recognised | 1,450 | 1,648 |
| – Paid during year | (3,466) | (4,486) |
| **Carrying amount at 30 June** | 3,138 | 5,154 |

## 14. 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 at settlement and a related adjustment to profit or loss is recorded upon the expiration of the time limit if the rebate has not been paid.

### 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.

## 15. 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 2017** | | | | |
| The Village at Wellard, WA | 29,608 | 7,411 | 17,424 | 12,080 |
| Lightsview Joint Venture, SA | 4,997 | 2,340 | 13,465 | 10,567 |
| The Heights Durack, NT | 10,393 | 6,561 | 4,083 | 3,601 |
| Redbank Plains Joint Venture, QLD | 21,903 | 5,446 | 2,599 | 2,642 |
| **As at 30 June 2016** | | | | |
| The Village at Wellard, WA | 34,788 | 11,238 | 21,315 | 12,867 |
| Lightsview Joint Venture, SA | 7,757 | 3,998 | 14,154 | 10,950 |
| The Heights Durack, NT | 11,124 | 2,697 | 6,577 | 6,002 |

# 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 2017. At 30 June 2017, the bank covenant gearing ratio was 21.4% (2016: 28.8%).

## 16. Borrowings and derivative financial instruments

### Net debt

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Borrowings – Current | 5,791 | 5,321 |
| Borrowings – Non-current | 244,017 | 261,644 |
| **Total borrowings*** | **249,808** | **266,965** |
| Cash and cash equivalents | (88,367) | (73,373) |
| **Net debt** | **161,441** | **193,592** |

*Excludes vendor financing. Refer note 13 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 20 for fair value disclosures.

### Debt facilities

The following provides details of the loans and borrowings utilised as at 30 June 2017:

| | Facility amount $'000 | Carrying amount[1] $'000 | Effective interest rate % |
|---|---|---|---|
| Bank loans – note a | 233,000 | 151,714 | 6.00% |

| | Face value $'000 | Carrying amount[2] $'000 | Effective interest rate % |
|---|---|---|---|
| Peet bonds – note b | 100,000 | 98,094 | 8.06% |

1. Excludes bank guarantees. Refer note 22 for bank guarantees information.
2. Net of transaction and finance costs.

# 16. 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 $714 million (2016: $795 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 2017.

The Group's main bank facility of $200 million was extended to 1 October 2019. 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:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| 0 – 1 years | 14,546 | 15,245 |
| 1 – 2 years | 29,449 | 25,074 |
| 2 – 5 years | 126,922 | 150,652 |
| Total contractual cash flows | 170,917 | 190,971 |
| Carrying amount of liabilities | 151,714 | 169,191 |

b. PEET BONDS

Peet Limited issued 1,000,000 Peet bonds with a face value of $100 per bond on 7 June 2016. The bonds are unsecured and interest-bearing at a fixed rate of interest of 7.5%, payable semi-annually in arrears and have a maturity date of 7 June 2021.

Of the proceeds raised from the issuance of the Peet bonds, $50 million was used to repay the Peet convertible notes on 16 June 2016 with the remaining balance used to further strengthen the Peet Group's balance sheet and support its growth objectives.

The bonds are presented in the balance sheet as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Face value of bonds issued | 100,000 | 100,000 |
| Transaction costs | (2,288) | (2,288) |
| | 97,712 | 97,712 |
| Cumulative interest expense [1] | 8,316 | 496 |
| Cumulative coupon payable | (7,934) | (434) |
| | 382 | 62 |
| Non-current liability | 98,094 | 97,774 |

1. Interest expense is calculated by applying the effective interest rate of 8.06% (2016: 8.06%) to the liability component.

The bonds are repayable as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| 0 – 1 years | 7,500 | 7,500 |
| 1 – 2 years | 7,500 | 7,500 |
| 2 – 5 years | 114,733 | 122,233 |
| Total contractual cash flows | 129,733 | 137,233 |
| Carrying amount of liabilities | 98,094 | 97,774 |

c. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Non-current | | |
| Interest rate swap contracts – cash flow hedges | 4,551 | 8,150 |
| Total derivative financial instruments | 4,551 | 8,150 |

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| 2 – 5 years | 4,551 | 1,027 |
| >5 years | – | 7,123 |
| Total contractual cash flows | 4,551 | 8,150 |
| Carrying amount of liabilities | 4,551 | 8,150 |





## 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 its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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. There was no ineffectiveness in the current or prior year.

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 1.75% (2016: 1.88%). 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 82.4% (2016: 74%) of the variable bank loan principal outstanding and are timed to expire as each loan repayment falls due. During the year fixed interest rate swaps range between 2.83% and 3.11% (2016: 2.83% and 3.11%) and the variable rates are between 1.67% and 1.87% (2016: 1.85% and 2.02%).

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:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| 2 – 5 years | 125,000 | 25,000 |
| >5 years | – | 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.

# 16. 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.

### Interest rate risk

The Group's main interest rate risk arises from cash 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 floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

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 receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, *Financial Investments: Disclosures*.

### 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 2017, the Group had the following mix of financial assets and liabilities exposed to variable interest rates:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents (floating) | 88,367 | 73,373 |
| **Financial liabilities** | | |
| Borrowings (floating, unhedged) | (26,714) | (44,191) |
| Interest rate swap | (4,551) | (8,150) |
| **Net movement** | **57,102** | **21,032** |

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) | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| – 50 basis points | (216) | (102) | (200) | (73) |
| + 50 basis points | 216 | 102 | 200 | 73 |

# 17. Contributed equity and reserves

### a. Movements in ordinary share capital

| Date | Details | Number of shares | $'000 |
|---|---|---|---|
| **30 June 2015** | **Closing balance** | **486,989,173** | **385,962** |
| 17 August 2015 | Vested Performance Rights less transaction costs [1] | 2,991,386 | (10) |
| | Deferred tax credit recognised in equity | – | 3 |
| | Movement for the year | 2,991,386 | (7) |
| **30 June 2016** | **Closing balance** | **489,980,559** | **385,955** |
| | Movement for the year | – | – |
| **30 June 2017** | **Closing balance** | **489,980,559** | **385,955** |

1. In August 2015, the Company issued 2,991,386 shares pursuant to the vesting of FY13 Performance Rights.

### 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 to 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.

## 17. Contributed equity and reserves (continued)

### b. Reserves

| | Cash flow hedge reserve[1] $'000 | Share-based payments reserve[2] $'000 | Convertible notes reserve[3] $'000 | Non-controlling interest reserve[4] $'000 | Total $'000 |
|---|---|---|---|---|---|
| At 1 July 2015 | (2,528) | 11,122 | 1,933 | 101 | 10,628 |
| Cash flow hedges (gross) | (4,756) | – | – | – | (4,756) |
| Associates – cash flow hedge reserve | 162 | – | – | – | 162 |
| Deferred tax | 1,428 | – | – | – | 1,428 |
| Transfer to retained earnings | – | – | (1,933) | – | (1,933) |
| Share based payment (net) | – | 2,280 | – | – | 2,280 |
| At 30 June 2016 | (5,694) | 13,402 | – | 101 | 7,809 |
| | | | | | |
| At 1 July 2016 | (5,694) | 13,402 | – | 101 | 7,809 |
| Cash flow hedges (gross) | 4,164 | – | – | – | 4,164 |
| Deferred tax | (1,249) | – | – | – | (1,249) |
| Share based payment | – | 2,099 | – | – | 2,099 |
| Vesting of performance rights[5] | | (2,201) | – | – | (2,201) |
| Non-reciprocal contribution to a controlled entity | | – | – | (7,988) | (7,988) |
| Capital return to non-controlling interests | – | – | – | (1,217) | (1,217) |
| At 30 June 2017 | (2,779) | 13,300 | – | (9,104) | 1,417 |

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 convertible notes reserve was used to recognise the value of the conversion rights relating to the 9.5% convertible notes, which matured during FY16.
4. This 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.
5. In September 2016, the Company repurchased 2,189,371 shares to settle the vesting of FY14 Performance Rights.

## 18. Dividends

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Declared and paid during the period** | | |
| Prior year franked dividend 2.75 cents, paid on 14 October 2016 (2016: 3.0 cents) | 13,474 | 14,699 |
| Fully franked interim dividend for 2017: 1.75 cents (2016: 1.75 cents) | 8,575 | 8,575 |
| | 22,049 | 23,274 |
| **Dividend not recognised at year end** | | |
| Final dividend 3.00 cents per share to be paid on 4 October 2017 (2016: 2.75 cents per share) | 14,699 | 13,475 |
| **Franking credit balance** | | |
| Franking account balance as at the end of the financial year at 30% (2016: 30%) | 28,214 | 18,459 |
| Franking credits that will arise from the payment of income tax | 4,698 | 9,650 |
| 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 | (6,300) | (5,775) |
| | 26,612 | 22,334 |

## 19. Reconciliation of profit after income tax to net cash inflow from operating activities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Profit after income tax | 44,260 | 41,788 |
| **Add/(deduct) non cash items:** | | |
| Depreciation | 2,722 | 3,195 |
| Amortisation of intangible assets | 817 | 336 |
| Employee share-based payments | (102) | 2,280 |
| Equity accounting for investments in associates and joint ventures | (15,326) | (16,685) |
| Interest received | (535) | (1,584) |
| Convertible notes effective interest | 320 | 1,256 |
| **Add other items:** | | |
| Distributions and dividends from associates and joint ventures | 3,949 | 5,756 |
| **Change in operating assets and liabilities during the financial year** | | |
| Increase in receivables | (7,531) | (11,140) |
| Decrease/(increase) in inventories | 61,929 | (74,139) |
| (Decrease)/increase in tax liabilities | (6,446) | 6,326 |
| (Decrease)/increase in payables | (31,632) | 54,850 |
| Decrease in provisions | (1,856) | (3,285) |
| Increase in deferred tax liabilities | 6,658 | 8,281 |
| **Net cash inflow from operating activities** | 57,227 | 17,235 |

## 20. 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's derivative financial instruments were valued using market observable inputs (Level 2) at the carrying value of $4.6 million (2016: $8.2 million).

There have been no transfers between levels during the year.

### Other financial instruments – fair value disclosures

The carrying value of receivables, payables and borrowings is considered to approximate their fair values.

The fair value of Peet bonds is the quoted market value (on ASX) of a bond which at 30 June 2017 was $102.3 per bond (Level 1).

**KEY ESTIMATES**

FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) 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.
- Fair value of the Peet bonds is based on price quotations at the reporting date.

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

## 21. Remuneration of auditors

| | 2017 $ | 2016 $ |
|---|---|---|
| **Audit services** | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001* | | |
| Ernst & Young | 381,559 | 441,422 |
| **Total remuneration for audit services** | **381,559** | **441,422** |
| **Other services** | | |
| Ernst & Young | 14,405 | 71,168 |
| **Taxation services** | | |
| Tax compliance services including review of Company income tax returns | | |
| Ernst & Young | 204,333 | 172,867 |

## 22. 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:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Bank guarantees outstanding | 19,605 | 21,864 |
| Insurance bonds outstanding | 15,388 | 10,735 |
| | **34,993** | **32,599** |

All contingent liabilities are expected to mature within 1 year.

At 30 June 2017, the Group had commitments of $19.4 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.

## 23. 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:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Balance sheet** | | |
| Current assets | 74,012 | 62,362 |
| Total assets | 479,742 | 540,630 |
| Current liabilities | 15,055 | 14,887 |
| Total liabilities | 82,159 | 95,133 |
| **Shareholders' equity** | | |
| Issued capital | 385,955 | 385,955 |
| **Reserves** | | |
| Share-based payments reserve | 13,300 | 13,402 |
| Retained profits | (1,672) | 46,140 |
| **Total equity** | **397,583** | **445,497** |
| (Loss)/profit for the year | (25,762) | 16,243 |
| **Total comprehensive income** | **(25,762)** | **16,243** |

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:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Bank guarantees outstanding | 586 | 636 |

### 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 | |
|---|---|---|
| Name of Subsidiary | 2017 % | 2016 % |
| CIC Australia 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. 1895 Pty Limited [2] | – | 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 | – |
| Peet No. 127 Pty Limited [2] | 100 | – |
| Peet Tonsley Pty Limited [2] | 100 | – |
| Peet Yanchep Land Syndicate [2] | 66.4 | 66.4 |
| Peet Tri-State Syndicate Limited [2,3] | – | 24.43 |

1. Incorporated in ACT.
2. Incorporated in WA.
3. Peet has a direct interest of more than 20% and has decision making authority in its capacity as manager and earns remuneration for development and management activities. Peet has also provided a loan to this syndicate. The combination of the investment, together with its remuneration and exposure to credit risk, creates exposure to variability of returns from the activities of the fund that is of such a magnitude that it indicates that Peet is deemed to be acting principal.

# 23. 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 | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Current assets | 18,740 | 16,874 |
| Non-current assets | 64,325 | 64,914 |
| Current liabilities | 12,858 | 12,352 |
| Non-current liabilities | 15,919 | 15,000 |
| Non-controlling interest | 18,238 | 18,290 |
| Revenue | 4,917 | 16,584 |
| Profit or loss after tax | (153) | 892 |
| Profit attributable to non-controlling interest | 51 | 314 |

Summarised cash flow information:

| | Peet Yanchep Land Syndicate | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Operating | (188) | 7,455 |
| Investing | – | (6) |
| Financing | 449 | (8,419) |
| **Net outflow** | **261** | **(970)** |

Peet Beachton Syndicate Limited was put into liquidation during the year ended 30 June 2017.

Peet has provided loans to other partly-owned subsidiaries amounting to $1.4 million (2016: $4.8 million). The Group has no further contractual obligations to provide ongoing financial support.



# 23. 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.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Consolidated statement of profit or loss** | | |
| Revenue | 291,687 | 251,832 |
| Expenses | (235,908) | (206,266) |
| Finance costs | (7,965) | (4,558) |
| Share of net profit of associates accounted for using the equity method | 15,211 | 17,043 |
| **Profit before income tax** | **63,025** | **58,051** |
| Income tax expense | (18,182) | (16,154) |
| **Profit for the year** | **44,843** | **41,897** |
| **Other comprehensive income** | | |
| Items that may be reclassified to profit or loss: | | |
| Changes in the fair value of cash flow hedges | 4,164 | (4,756) |
| Share of other comprehensive income of associates | – | 162 |
| Income tax relating to components of other comprehensive income | (1,249) | 1,428 |
| **Other comprehensive income for the year, net of tax** | **2,915** | **(3,166)** |
| **Total comprehensive income for the year** | **47,758** | **38,731** |
| **Summary of movement in consolidated retained profits** | | |
| Retained profits at the beginning of the financial year | 105,054 | 84,498 |
| Profit for the year | 44,843 | 41,897 |
| Dividends paid | (22,049) | (23,274) |
| Transfer between reserves | – | 1,933 |
| **Retained profits at the end of the financial year** | **127,848** | **105,054** |

## Consolidated balance sheet

Set out below is a consolidated balance sheet at 30 June 2017 of the closed group consisting of Peet Limited and certain wholly owned subsidiaries.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 87,378 | 71,136 |
| Receivables | 55,471 | 68,564 |
| Inventories | 114,869 | 131,657 |
| **Total current assets** | **257,718** | **271,357** |
| **Non-current assets** | | |
| Receivables | 100,524 | 60,994 |
| Inventories | 279,231 | 385,940 |
| Investments accounted for using the equity method | 246,480 | 231,262 |
| Property, plant & equipment | 8,283 | 11,363 |
| Intangible assets | 6,246 | 2,321 |
| **Total non-current assets** | **640,764** | **691,880** |
| **Total assets** | **898,482** | **963,237** |
| **Current liabilities** | | |
| Payables | 56,824 | 70,242 |
| Land vendor liabilities | 15,975 | 16,100 |
| Borrowings | – | – |
| Current tax liabilities | 11,626 | 10,156 |
| Provisions | 5,933 | 7,073 |
| **Total current liabilities** | **90,358** | **103,571** |
| **Non-current liabilities** | | |
| Land vendor liabilities | 17,853 | 73,169 |
| Borrowings | 228,098 | 246,173 |
| Derivative financial instruments | 4,551 | 8,150 |
| Deferred tax liabilities | 33,762 | 33,905 |
| Provisions | 199 | 164 |
| **Total non-current liabilities** | **284,463** | **361,561** |
| **Total liabilities** | **374,821** | **465,132** |
| **Net assets** | **523,661** | **498,105** |
| **Equity** | | |
| Contributed equity | 385,955 | 385,955 |
| Reserves | 9,858 | 7,096 |
| Retained earnings | 127,848 | 105,054 |
| **Total equity** | **523,661** | **498,105** |

# 24. 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.



# 24. Share-based payments (continued)

### 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 | Expected price volatility of shares | Risk free interest rate | Assessed fair value |
|---|---|---|---|---|---|---|
| 23 Nov 16 | $0.00 | 23 Nov 31 | $0.905 | 30% | 1.88% | $0.801 |
| 21 Dec 16 | $0.00 | 21 Dec 31 | $0.950 | 30% | 2.03% | $0.849 |

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 $2,098,936 (2016: $2,280,000).

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 2017** | | | | | | | | | |
| **Options** | | | | | | | | | |
| 30 Nov 07 | N/A | $4.10 | $1.12 | 1,200,000 | – | – | – | 1,200,000 | 1,200,000 |
| **Performance rights** | | | | | | | | | |
| 20 Dec 13 | 20 Dec 18 | – | $1.27 | 1,896,513 | – | (1,866,169) | (30,344) | – | – |
| 8 Sep 14 | 8 Sep 19 | – | $1.27 | 328,459 | – | (323,203) | (5,256) | – | – |
| 26 Nov 14 | 26 Nov 19 | – | $1.065 | 833,897 | – | – | – | 833,897 | – |
| 22 Dec 14 | 22 Dec 19 | – | $0.938 | 988,794 | – | – | – | 988,794 | – |
| 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 | – |
| | | | | 6,168,143 | 2,445,666 | (2,189,372) | (35,600) | 6,388,837 | – |
| Total | | | | 7,368,143 | 2,445,666 | (2,189,372) | (35,600) | 7,588,837 | 1,200,000 |
| **30 June 2016** | | | | | | | | | |
| **Options** | | | | | | | | | |
| 30 Nov 07 | N/A | $4.10 | $1.12 | 1,200,000 | – | – | – | 1,200,000 | 1,200,000 |
| **Performance rights** | | | | | | | | | |
| 28 Nov 12 | 28 Nov 17 | – | $0.95 | 3,494,610 | – | (2,991,386) | (503,224) | – | – |
| 20 Dec 13 | 20 Dec 18 | – | $1.27 | 1,896,513 | – | – | – | 1,896,513 | – |
| 8 Sep 14 | 8 Sep 19 | – | $1.27 | 328,459 | – | – | – | 328,459 | – |
| 26 Nov 14 | 26 Nov 19 | – | $1.065 | 833,897 | – | – | – | 833,897 | – |
| 22 Dec 14 | 22 Dec 19 | – | $0.938 | 988,794 | – | – | – | 988,794 | – |
| 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 | – |
| | | | | 7,542,273 | 2,120,480 | (2,991,386) | (503,224) | 6,168,143 | – |
| Total | | | | 8,742,273 | 2,120,480 | (2,991,386) | (503,224) | 7,368,143 | 1,200,000 |

## 25. Matters subsequent to the end of the financial year

On 4 July 2017, it was announced that Peet Limited ("Peet") had been named the Western Australian Government's preferred proponent for final negotiations as development partner for a housing project on a 220-hectare landholding in Brabham – 22 kilometres from the Perth CBD. The Brabham joint venture will potentially yield more than 3,000 dwellings, schools and neighbourhood shops and recreational areas. As part of this joint venture, Peet will establish a new wholesale fund with the Perron Group to jointly develop the project, with Peet appointed as the development manager.

On 5 July 2017, Peet announced the close of the issue of Series 2, Tranche 1 Peet Bonds, raising a total of $50 million from the issue of 500,000, 2017 Peet Bonds at $100 each.

The Directors have declared a final franked dividend of 3.00 cents per share in respect to the year ended 30 June 2017. The dividend is to be paid on Wednesday, 4 October 2017, with a record date of Friday, 22 September 2017. 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.

## 26. Other accounting policies

### i. Investments and other financial assets

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.

FAIR VALUE

Details on how the fair value of financial instruments is determined are disclosed in note 20.

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. 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

## 26. Other accounting policies (continued)

### iii. 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.

### iv. 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.

### v. 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.

### vi. 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.

### vii. 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.

## 26. Other accounting policies (continued)

### viii. 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.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are accounted for at cost in the individual 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.

### ix. New accounting standards and interpretations

Except as disclosed below, accounting policies have been consistently applied over all periods presented. The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2016.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 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 9 | Financial Instruments | AASB 9 includes requirements for the classification and measurement of financial assets.<br>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. | The Group is in the process of determining the extent of the impact of the amendment, if any. | 30 June 2019 |
| AASB 15 | Revenue from Contracts with Customers | AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. | Based on existing significant revenue contracts, the extent of the impact of the amendment is not expected to be material. | 30 June 2019 |
| 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. | 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.



# Directors' Declaration

In the Directors' opinion:

a. the financial statements and notes set out on pages 70 to 106 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 2017 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 23 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 23.

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
24 August 2017

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

## 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 2017, 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 2017 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.







### 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 2017, total inventories amounted to $486,156,000.<br><br>This is considered a key audit matter as the determination of net realisable value is affected by subjective elements within the projected costs and revenues over an assumed development life. These values are sensitive to changes in the underlying economic environment and market forces.<br><br>Disclosure of inventories including significant judgments is included in note 9 to the financial report. | In obtaining sufficient audit evidence:<br>▸ We assessed and tested the design and operating effectiveness of the relevant controls over the Group's review process over project monitoring. This included the Group's controls over the preparation and review of feasibility reports and updates from a project manager level, through to executive and board level, and the frequency of review. It also included controls over the process for the approval to commence or amend significant projects and the required levels of authority to do so.<br>▸ We evaluated all available external independent valuations and a selection of the higher risk internal projections prepared by the Group.<br>▸ We assessed the independence and competency of the external valuation experts and the assumptions used by the experts.<br>▸ We evaluated all material projects to understand project costs to date and estimated costs to complete, the progress of the development, and contingency estimates for remaining development risks.<br>▸ We assessed the valuation models prepared by the Group for a sample of developments currently in progress. As part of this, we evaluated the assumptions adopted by comparing the projects costs and sales to the most recent historical or comparable sales and costs, including signed contracts or actual costs incurred for comparable projects.<br>▸ We checked the mathematical accuracy of the valuation models and agreed relevant data to the current development application submissions and/or approvals.<br>▸ We performed sensitivity analysis in relation to the key forward looking assumptions including sales price, cost per lot and escalation rates. |

2. Land and capitalised development costs

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| The Group has recognised land and development costs of $148,665,000. The development cost of a stage includes infrastructure costs which are incurred over the life of the development.<br>This is considered a key audit matter as the recognition of land and development costs is dependent on timing as well as assumptions associated with estimation and forecasting future costs.<br>Disclosure of land and development costs is included in note 6 to the financial report. | In obtaining sufficient audit evidence:<br>▸ We evaluated the basis of estimation and allocation of total land development costs.<br>▸ We evaluated the basis of estimation and allocation of costs to complete for lots sold.<br>▸ We assessed and tested the design and operating effectiveness of relevant controls over the review and approval of cost calculations.<br>▸ We tested a sample of cost calculations to assess whether the measurement of the calculations and the period they related to were appropriate.<br>▸ We assessed the accuracy of the metrics used to determine the cost allocation basis and performed an assessment of the land and development costs recognised in the period compared to the sales recognised (gross margin analysis). This included comparison to historical averages of similar projects, and the gross margin over the life of the project to identify significant fluctuations and to understand why these fluctuations have occurred and where applicable agreed to supporting evidence. |







3. Investments accounted for using the equity method

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| The Group enters into joint venture arrangements which are involved in property investment or development. The application of the equity method of accounting for the joint venture investments is predicated on the Group having joint control with the other party(ies) under the arrangement.<br>Interests in associates and joint ventures comprise of:<br>(a) The Group's equity accounted investment in a number of joint venture arrangements; and<br>(b) Loan facilities provided by the Group to certain associates and joint ventures. These unsecured loans are recognised at amortised cost using the effective interest rate method, less allowance for impairment.<br>This is considered a key audit matter due to the following:<br>▸ The judgment involved in assessing whether the entities are controlled or joint ventures. The Group's assessment on whether it has control is based on the relevant agreements, which includes control of the relevant activities.<br>▸ The assessment of the recoverability of the interests is subject to significant judgment as to the performance of the underlying developments. Any significant changes in feasibility assumptions impacting project cash flows may give rise to impairment.<br>Disclosure of investments accounted for using the equity method, including significant judgments is included in notes 2, 3 and 10 to the financial report. | In obtaining sufficient audit evidence:<br>▸ For new joint ventures 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 control and their determination of applying equity accounting to the investment.<br>▸ For existing joint ventures, we confirmed that there have been no changes to the joint arrangement with respect to decision making power and entitlement to profits.<br>▸ We assessed the financial performance and financial position of the associates and joint ventures. We evaluated the Group's going concern assessment of the relevant entities as one of the indicators of potential impairment.<br>▸ 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.<br>▸ We considered the Group's assessment of the recoverability of the loans. |

## 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 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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 on the other information obtained prior to the date of this auditor's report, 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.

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## 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.
- 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.







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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 52 to 66 of the Directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Peet Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### 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

Ernst & Young

G Lotter
Partner
Perth
24 August 2017

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# Securityholder Information

## Distribution of ordinary shares and Peet Bonds

As at 27 September 2017 there were 2,312 current holders of ordinary shares, 415 current holders of Series 1, Tranche 1 Peet Bonds ("PPCHA Bonds") and 375 current holders of Series 2, Tranche 1 Peet Bonds ("PPCHB Bonds"). These holdings were distributed in the following categories:

| Size of Holding | Number of Shareholders | % of Issued Shares | Number of PPCHA Bonds | % of Issued PPCHA Bonds | Number of PPCHB Bonds | % of Issued PPCHB Bonds |
|---|---|---|---|---|---|---|
| 1 – 1,000 | 478 | 0.03 | 1,238 | 33.38 | 304 | 26.15 |
| 1,001 – 5,000 | 661 | 0.42 | 88 | 18.73 | 60 | 27.18 |
| 5,001 – 10,000 | 411 | 0.65 | 7 | 5.49 | 5 | 7.50 |
| 10,001 – 100,000 | 679 | 3.84 | 7 | 14.31 | 5 | 14.85 |
| 100,001 and over | 83 | 95.06 | 2 | 28.09 | 1 | 24.32 |
| | 2,312 | 100.00 | 1,342 | 100.00 | 375 | 100.00 |

There were 330 shareholdings of less than a marketable parcel of $500 (409 shares).

There were nil 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 27 September 2017 are listed below:

| Name | Number of Shares Held | % of Shares |
|---|---|---|
| Scorpio Nominees Pty Ltd <Gwenton A/C> | 86,582,433 | 17.67 |
| Citicorp Nominees Pty Limited | 69,627,933 | 14.21 |
| J P Morgan Nominees Australia Limited | 55,325,567 | 11.29 |
| HSBC Custody Nominees (Australia) Limited | 47,026,263 | 9.60 |
| HSBC Custody Nominees (Australia) Limited – A/C 2 | 38,842,510 | 7.93 |
| National Nominees Limited | 31,468,743 | 6.42 |
| Ian Murray Charles Palmer + Helen Christina Palmer | 18,707,352 | 3.82 |
| Mr Warwick Donald Hemsley | 18,242,912 | 3.72 |
| CS Third Nominees Pty Ltd <HSBC Cust Nom Au Ltd 13 A/C> | 16,279,813 | 3.32 |
| Argo Investments Limited | 16,152,705 | 3.30 |
| BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> | 11,563,728 | 2.36 |
| Golden Years Holdings Pty Ltd <Peet Superfund A/C> | 8,656,230 | 1.77 |
| BNP Paribas Noms Pty Ltd <DRP> | 7,753,937 | 1.58 |
| RBC Investor Services Australia Nominees Pty Ltd <VFA A/C> | 6,225,339 | 1.27 |
| Mr Brendan David Gore <Gore Family A/C> | 5,237,046 | 1.07 |
| UBS Nominees Pty Ltd | 3,480,414 | 0.71 |
| Netwealth Investments Limited <Wrap Services A/C> | 2,415,988 | 0.49 |
| Brispot Nominees Pty Ltd <House Head Nominees A/C> | 1,846,382 | 0.38 |
| CS Fourth Nominees Pty Ltd <HSBC Cust Nom Au Ltd 11 A/C> | 1,813,944 | 0.37 |
| Mr Julian Charles Peet | 1,528,344 | 0.31 |
| Total for 20 largest shareholders | 448,777,583 | 91.59 |
| Total other shareholders | 41,202,976 | 8.41 |
| Total ordinary shares on issue | 489,980,559 | 100.00 |



## Securityholder Information (continued)

The names of the 20 largest holders of PPCHA Bonds as at 27 September 2017 are listed below:

| Name | Number of PPCHA Bonds Held | % of PPCHA Bonds |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 175,175 | 17.51 |
| J P Morgan Nominees Australia Limited | 105,690 | 10.56 |
| Australian Executor Trustees Limited <No 1 Account> | 30,915 | 3.09 |
| Grizzly Holdings Pty Ltd | 26,400 | 2.64 |
| Jove Pty Ltd | 22,612 | 2.26 |
| Finot Pty Ltd | 20,000 | 2.00 |
| Farallon Capital Pty Ltd <Nunn Investment A/C> | 17,500 | 1.75 |
| Stonecot Pty Ltd <Hosb Super Fund A/C> | 15,000 | 1.50 |
| Jilliby Pty Ltd | 10,688 | 1.07 |
| George Tauber Management Pty Ltd | 9,250 | 0.93 |
| Investment Management Co Pty Ltd <Vantage Investment Fund A/C> | 8,500 | 0.85 |
| Passini Pty Ltd | 8,500 | 0.85 |
| Tierney Pty Limited <Nettex Aust Direct S/F A/C> | 8,000 | 0.80 |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP | 7,653 | 0.77 |
| Riseley Family Investments Pty Ltd <Riseley Family A/C> | 7,250 | 0.73 |
| Netwealth Investments Limited <Wrap Services A/C> | 5,751 | 0.58 |
| Invia Custodian Pty Limited <Brian Davis Inv Pl A/C> | 5,000 | 0.50 |
| Invia Custodian Pty Limited <HWG Holding Pty Ltd A/C> | 5,000 | 0.50 |
| Invia Custodian Pty Limited <RISF A/C> | 5,000 | 0.50 |
| Majana Pty Ltd <Majana Super Fund A/C> | 5,000 | 0.50 |
| Total for 20 largest PPCHA Bondholders | 498,884 | 49.89 |
| Total other PPCHA Bondholders | 501,116 | 50.11 |
| | 1,000,000 | 100.00 |

## Securityholder Information (continued)

The names of the 20 largest holders of PPCHB Bonds as at 27 September 2017 are listed below:

| Name | Number of PPCHB Bonds Held | % of PPCHB Bonds |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 121,593 | 24.32 |
| J P Morgan Nominees Australia Limited | 19,061 | 3.81 |
| BNP Paribas Noms Pty Ltd <DRP> | 15,564 | 3.11 |
| VSI Hardware Pty Ltd | 15,000 | 3.00 |
| Grizzly Holdings Pty Limited | 12,600 | 2.52 |
| Keppoch Pty Limited | 12,000 | 2.40 |
| BLB Corporation Pty Ltd <BLB Australia Unit A/C> | 10,000 | 2.00 |
| Finot Pty Limited <The Sonnenschein Family A/C> | 8,000 | 1.60 |
| BT Portfolio Services Limited <The Stone Super Fund A/C> | 7,000 | 1.40 |
| Roni H Pty Ltd | 7,000 | 1.40 |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP | 5,500 | 1.10 |
| Burdekin Nominees Pty Ltd <Honeycombe Hold Pension A/C> | 5,000 | 1.00 |
| Kednel Pty Ltd <Sali Investments A A/C> | 5,000 | 1.00 |
| Hardings Trading Pty Ltd | 4,500 | 0.90 |
| Hamilton Industries (Victoria) Pty Limited | 4,000 | 0.80 |
| Trendmead Pty Ltd <Trendmead Pty Ltd Super A/C> | 3,500 | 0.70 |
| A Cameron Holdings Pty Limited <A Cameron Family A/C> | 3,125 | 0.63 |
| Mr Joseph Compagnone + Mrs Cheryl Robyn Compagnone <J Compagnone & Co SFJ A/C> | 3,100 | 0.62 |
| Invia Custodian Pty Limited <T & L Brorsen Family A/C> | 3,000 | 0.60 |
| Mr Thomas Kiss + Mrs Amanda Aizenstros + Mrs Michelle Geller <DU Kiss Smt Fab P/L S/F A/C> | 3,000 | 0.60 |
| Total for 20 largest PPCHB Bondholders | 267,543 | 53.51 |
| Total other PPCHB Bondholders | 232,457 | 46.49 |
| | 500,000 | 100.00 |

### Substantial shareholders

As disclosed in substantial holding notices lodged with ASX (as applicable) at 27 September 2017:

| Name | Date of Last Notice Received | Number of Shares Held | % of Issued Shares[1] |
|---|---|---|---|
| Scorpio Nominees Pty Ltd and its associates | 14 November 2014 | 92,299,388 | 19.40 |
| Allan Gray Australia Pty Ltd and its related bodies corporate | 9 December 2016 | 69,928,935 | 14.27 |
| Ellerston Capital Limited and its associates | 18 April 2017 | 38,790,477 | 7.92 |
| LI Capital Pty Ltd | 17 August 2017 | 33,509,567 | 6.84 |
| NovaPort Capital Pty Ltd | 14 March 2017 | 24,993,946 | 5.10 |
| Challenger Limited (and various other entities) | 8 September 2014 | 23,908,410 | 5.52 |

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



## Securityholder Information (continued)

### 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 27 September 2017, Peet Limited had 1,200,000 options on issue, held by one key management person, as disclosed elsewhere in the Annual Report.

As at 27 September 2017, Peet Limited had 4,566,146 performance rights on issue, held by 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.

### 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.

# Corporate Directory

**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 Non-executive Director
Vicki Krause, BJuris LLB W.Aust, GAICD, Independent Non-executive Director
Robert (Bob) McKinnon, FCPA, FCIS, FGIA, MAICD, Independent Non-executive Director

### Group Company Secretary

Dom Scafetta, BComm, CA

### Registered Office and Principal Place of Business

7th Floor, 200 St Georges Terrace
Perth, Western Australia 6000
Tel. (08) 9420 1111

### Share Register

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000
Tel: (08) 9323 2000

### Auditor

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

# Notes

# Notes

**Peet Limited**
ACN 008 665 834
Level 7, 200 St Georges Terrace Perth WA 6000
Telephone +61 8 9420 1111 | Facsimile +61 8 9481 4712
www.peet.com.au

Perth | Melbourne | Brisbane | Canberra | Adelaide | Darwin