Peet Limited

ABN 56 008 665 834

Appendix 4D and Consolidated Financial Statements for the half-year ended 31 December 2017

Appendix 4D

Half-year financial report

Results for announcement to the market

Entity:	Peet Limited and its controlled entities
Reporting Period:	31 December 2017
Previous Corresponding Period:	31 December 2016

				$'million
Revenue	Down	17%	to	124.2
Statutory profit after tax attributable to owners of Peet Limited	Up	11%	to	21.9
Basic and diluted earnings per share (cents)	Up	11%	to	4.5c

Dividends	Cents per security	% Franked per security
Current Year		
Interim dividend 2018	2.00	Fully franked
Previous Year		
Final dividend 2017	3.00	Fully franked
Interim dividend 2017	1.75	Fully franked

Results Commentary

Key results[1]

- Operating profit[2] and statutory profit[3] after tax of $21.9 million, up 11%
- Earnings per share of 4.5 cents, up 11%
- EBITDA[4] margin of 33%, up 4%
- EBITDA[4] of $41.7 million, down 5%
- 1,077 lots settled
- Contracts on hand [5] as at 31 December 2017 of 2,434, with a value of $648.4million
- Gearing[6] of 21.1%
- Fully franked interim dividend of 2.00 cents per share, up 14%

Financial commentary

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $21.9 million for the half-year ended 31 December 2017, which represents an increase of 11% compared with the previous corresponding period. This represents a solid result underpinned by the continuing strong conditions across the Group's east coast markets, with price growth continuing to be achieved, particularly across the Victoria and ACT/NSW portfolios. The first half also saw total sales and settlements improve across the Group's Queensland portfolio on the back of Flagstone and Eden's Crossing.

While revenue and EBITDA[4] were down, the Group continues to deliver on its stated strategies, resulting in strong operating margins. The reduction in revenue is attributable to the weighting of settlements into 2H18, lower englobo sales and the joint venturing of the Newhaven (Vic) project at the end of 1H17.

The EBITDA[4] margin for 1H18 was 33%, compared to 29% for the previous corresponding period. The improved EBITDA[4] margin is predominantly attributable to the strong price growth achieved across the Victoria portfolio, the settlement of a land parcel in Rockbank (Vic) and a continuing focus on efficiencies across the business.

The performance has resulted in earnings per share of 4.5 cents, representing an increase of 11% compared with the previous corresponding period.

During 1H18, Peet was 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 project 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. Final negotiations are anticipated to be completed by mid-2018.

The Group increased its profits during 1H18 while maintaining a strong balance sheet on the back of prudent capital management. The Group derived strong cash inflow from operations and kept its gearing[6] at the lower end of its target range of 20% to 30% (21.1%, compared to 21.4% at 30 June 2017).

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1 Comparative period is 31 December 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. 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. Effective tax rate for 1H18 lower due to additional tax-deductible employee benefits.

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

5 Includes lot equivalents. Excludes englobo sales.

6 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). Excludes syndicates consolidated under AASB10.

Operational commentary

The Group achieved the sale of 1,342 lots (down 10% on the corresponding period) and the settlement of 1,077 lots (down 24%) during 1H18. Sales were generally in line with expectations, with the strong east coast markets offsetting the continuing weak Western Australian and Northern Territory markets; and settlements were affected by the timing of settlements from Aston (Vic) and Googong (ACT/NSW).

At 31 December 2017, there were 2,434 contracts on hand[7], with a gross value of $648.4 million, compared with 2,186 contracts on hand[7] as at 30 June 2017 (with a gross value of $545.7 million), providing strong momentum into 2H18.

Funds management projects

The Group's Funds Management business performed solidly in 1H18, with the performance of projects in the Victorian and Queensland markets more than offsetting the performance of projects in the weaker Western Australian market.

- 739 lots sold for a gross value of $183.1 million, compared with 881 lots ($199.8 million) in 1H17.
- 700 lots settled for a gross value of $158.7 million, compared with 844 lots ($217.4 million) in 1H17.
- 1,344 contracts on hand[8] as at 31 December 2017 with a total value of $316.5 million, compared with 1,328 contracts on hand[8] as at 30 June 2017 ($294.9 million).
- EBITDA[9] of $16.2 million compared with $15.1 million in the previous corresponding period.
- EBITDA[9] margin of 70%, compared with 68% in the previous corresponding period.

Development projects

The reduced, but still solid, contribution from the Group's Development business is a result of the weighting of settlements in Aston (Vic) into 2H18 and the joint venturing of the Newhaven (Vic) project at the end of 1H17. Moving forward, revenue from this project will be included within the Funds Management segment. The first settlements from Summer Hill (Vic) and the settlement of a land parcel in Rockbank (Vic) contributed positively to 1H18 performance.

- 231 lots sold for a gross value of $77.6 million, compared with 222 lots in 1H17 ($105.4 million).
- 145 lots settled for a gross value of $74.0 million, compared with 299 lots in 1H17 ($108.6 million).
- 530 contracts on hand[8] as at 31 December 2017, with a total value of $173.0 million, compared with 438 contracts on hand[8] as at 30 June 2017 ($138.0 million).
- EBITDA of $25.4 million compared with $27.8 million in the previous corresponding period.
- EBITDA margin of 32%, compared with 26% in the previous corresponding period.

[7] Includes lot equivalents. Excludes englobo sales.
[8] Includes lot equivalents.
[9] EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

Joint arrangements

The reduced contribution from the Group's Joint Venture business in 1H18 is predominantly due to the weighting of settlements in the Googong (ACT/NSW) project into 2H18 and the reduced contributions from The Heights (NT) project.

- 372 lots sold for a gross value of $98.2 million, compared with 385 lots in 1H17 ($91.4 million).
- 232 lots settled for a gross value of $52.1 million, compared with 265 lots in 1H17 ($61.4 million).
- 560 contracts on hand[10] as at 31 December 2017 with a total value of $158.9 million, compared with 420 contracts on hand[10] as at 30 June 2017 ($112.8 million).
- EBITDA[11] of $5.5 million compared with $6.6 million in the previous corresponding period.
- EBITDA[11] margin of 25% compared with 32% in the previous corresponding period.

Land portfolio metrics

		1H18	1H17	Change Up/(down)
Lot sales		1,342	1,488	(10%)
Lot settlements		1,077	1,408	(24%)
Contracts on hand[12] (comparison as at 30 June 2017)	Number	2,434	2,186	
	Value	$648.4m	$545.7m	

Capital management

The Group continues to apply a prudent focus on capital management and at 31 December 2017, the Group's gearing[13] was 21.1%, compared to 21.4% at 30 June 2017 and 28.8% at 30 June 2016.

At the end of the period, the Group had interest-bearing debt (including Peet Bonds) of $229.2 million, compared with $249.8 million at 30 June 2017. Approximately 97% of the Group's interest-bearing debt was hedged as at 31 December 2017, compared with 89% at 30 June 2017.

Peet enters 2H18 with a strong balance sheet, including cash and debt facility headroom of $139.0 million as at 31 December 2017 and a weighted average debt maturity of over two and half years.

10 Includes lot equivalents.

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

12 Includes lot equivalents. Excludes englobo sales.

13 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). Excludes syndicates consolidated under AASB 10.

Dividend payments

Subsequent to 31 December 2017, the Directors have declared an interim dividend of 2.0 cents per share, fully franked, in respect of the year ending 30 June 2018, which is 14% higher than the interim dividend for the year ended 30 June 2017. The dividend is to be paid on 6 April 2018, with a record date of 16 March 2018.

The Dividend Reinvestment Plan remains deactivated.

Group strategy

The Group has continued to operate to its strategy which is based on leveraging the diversity of its national 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.

The key elements of Peet's strategy include:

- accelerating production where possible and appropriate, and active management of product mix;
- selective acquisition of projects to restock the pipeline with a focus on securing low cost projects and predominantly under our funds management platform and as appropriate in market conditions;
- delivery of affordable product targeted at the low and middle market segments; and
- maintaining a strong balance sheet and cash flow position.

Outlook

The Australian residential property market conditions continued to differ across the States during 1H18, and the expectation is that this will continue for the balance of the 2018 financial year.

Conditions across Victoria, Queensland and ACT/New South Wales are expected to remain supportive on the back of continued population growth and strong employment growth.

While there is some evidence that the market depth is improving in Western Australia, we do not anticipate a material improvement in sales activity in WA during the 2018 calendar year.

Peet has a diversified national portfolio of projects that remains well-positioned to target on-going growth and value creation.

The Group has moved into the second half of FY18 well-positioned to target earnings growth, subject to market conditions and the timing of settlements; and new projects expected to commence and already under construction, provide a positive outlook for FY19.

Brendan Gore
Managing Director and Chief Executive Officer
22 February 2018

Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Peet Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

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

Tony Lennon (Chairman)

Brendan Gore

Anthony Lennon

Trevor Allen

Vicki Krause

Robert McKinnon

Review of operations

Net profit after tax for the half-year ended 31 December 2017 attributable to owners of Peet Limited was $21.9 million (2016: $19.8 million). The review of operations for the Group for the half-year ended 31 December 2017 and the results of those operations are covered in the Results Commentary section on pages 3 to 5.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/91, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that legislative instrument.

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

22 February 2018

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Auditor's Independence Declaration to the Directors of Peet Limited

As lead auditor for the review of Peet Limited for the half-year ended 31 December 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 review; and

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

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

Ernst & Young

Ernst & Young

G Lotter
Partner
22 February 2018

	Notes	December 2017 $'000	December 2016 $'000
Revenue	3	124,218	150,125
Expenses	4	(93,961)	(121,125)
Finance costs	4	(4,402)	(3,474)
Share of net profit of associates and joint ventures		3,328	2,953
Profit before income tax		**29,183**	**28,479**
Income tax expense	5	(7,470)	(9,016)
Profit for the period		**21,713**	**19,463**
Attributable to:			
Owners of Peet Limited		21,878	19,751
Non-controlling interests		(165)	(288)
		21,713	**19,463**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Realised losses on cash flow hedges transferred to profit or loss		745	858
Unrealised (losses)/ gains on cash flow hedges		(341)	3,033
Income tax relating to components of other comprehensive income		(121)	(1,167)
Other comprehensive income for the period, net of tax		**283**	**2,724**
Total comprehensive income for the period		**21,996**	**22,187**
Attributable to:			
Owners of Peet Limited		22,161	22,475
Non-controlling interests		(165)	(288)
		21,996	**22,187**

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

	Notes	Cents	Cents
Basic and diluted earnings per share	6	4.47	4.03

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

	Notes	December 2017 $'000	June 2017 $'000
Current assets			
Cash and cash equivalents		70,856	88,367
Receivables		34,025	53,336
Inventories		123,698	133,237
Total current assets		**228,579**	**274,940**
Non-current assets			
Receivables		85,121	78,002
Inventories		359,752	352,919
Investments accounted for using the equity method		222,351	213,448
Property, plant and equipment		6,476	8,298
Intangible assets		6,276	6,251
Total non-current assets		**679,976**	**658,918**
Total assets		**908,555**	**933,858**
Current liabilities			
Payables		69,270	69,509
Land vendor liabilities		17,650	15,975
Current tax liabilities		1,717	4,698
Borrowings	7	5,794	5,791
Provisions		6,582	6,245
Total current liabilities		**101,013**	**102,218**
Non-current liabilities			
Land vendor liabilities		9,364	17,853
Borrowings	7	223,373	244,017
Derivative financial instruments		4,027	4,551
Deferred tax liabilities		38,741	39,698
Provisions		178	199
Total non-current liabilities		**275,683**	**306,318**
Total liabilities		**376,696**	**408,536**
Net assets		**531,859**	**525,322**
Equity			
Contributed equity	8	385,955	385,955
Reserves		940	1,417
Retained profits		133,437	126,258
Capital and reserves attributable to owners of Peet Limited		**520,332**	**513,630**
Non-controlling interests		11,527	11,692
Total equity		**531,859**	**525,322**

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

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2016		**385,955**	**7,809**	**103,515**	**497,279**	**4,236**	**501,515**
Profit for the period		-	-	19,751	19,751	(288)	19,463
Other comprehensive income		-	2,724	-	2,724	-	2,724
Total comprehensive income for the period		**-**	**2,724**	**19,751**	**22,475**	**(288)**	**22,187**
Non-reciprocal contribution to a controlled entity		-	(6,020)	-	(6,020)	6,020	-
Dividends paid		-	-	(13,473)	(13,473)	-	(13,473)
Vesting of performance rights		-	(2,201)	-	(2,201)	-	(2,201)
Share based payments		-	1,019	-	1,019	-	1,019
Balance at 31 December 2016		**385,955**	**3,331**	**109,793**	**499,079**	**9,968**	**509,047**
Balance at 1 July 2017		**385,955**	**1,417**	**126,258**	**513,630**	**11,692**	**525,322**
Profit for the period		-	-	21,878	21,878	(165)	21,713
Other comprehensive income		-	283	-	283	-	283
Total comprehensive income for the period		**-**	**283**	**21,878**	**22,161**	**(165)**	**21,996**
Dividends paid	10	-	-	(14,699)	(14,699)	-	(14,699)
Vesting of performance rights		-	(1,882)	-	(1,882)	-	(1,882)
Share based payments		-	1,122	-	1,122	-	1,122
Balance at 31 December 2017		**385,955**	**940**	**133,437**	**520,332**	**11,527**	**531,859**

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

	December 2017 $'000	December 2016 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	154,387	182,842
Payments to suppliers and employees (inclusive of GST)	(91,615)	(115,182)
Payments for purchase of land	(16,905)	(25,226)
Interest and other finance costs paid	(8,186)	(10,037)
Distributions and dividends received from associates and joint ventures	2,438	1,858
Interest received	320	481
Income tax paid	(9,674)	(3,080)
Net cash inflow from operating activities	**30,765**	**31,656**
Cash flows from investing activities		
Payments for property, plant and equipment	(1,594)	(3,737)
Payments for investment in associates	(8,725)	(2,250)
Proceeds from capital returns from associates	707	357
Loans to related parties	(3,720)	(6,605)
Repayment of loans by related parties	123	4,092
Net cash outflow from investing activities	**(13,209)**	**(8,143)**
Cash flows from financing activities		
Dividends paid	(14,699)	(13,473)
Repayment of borrowings	(69,636)	(62,490)
Proceeds from borrowings	263	48,022
Proceeds from issue of bonds (net of transaction costs)	49,005	-
Net cash outflow from financing activities	**(35,067)**	**(27,941)**
Net decrease in cash and cash equivalents	(17,511)	(4,428)
Cash and cash equivalents at the beginning of the financial year	88,367	73,373
Cash and cash equivalents at end of the period	**70,856**	**68,945**

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

1. Basis of preparation of consolidated financial statements

This general purpose condensed financial report for the half-year ended 31 December 2017 is for the Consolidated Entity consisting of Peet Limited and its subsidiaries ("Group"). 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 financial report was authorised for issue by the Directors on 22 February 2018. The financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made by Peet Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

2. Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive management group.

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

The 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 three 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 eliminations and other unallocated

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

The 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 Eliminations and Other Unallocated" to reconcile reportable business segment information to the Group's consolidated statement of profit or loss.

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

2. Segment reporting

	Funds management		Company owned projects		Joint arrangements		Inter-segment eliminations and other unallocated		Consolidated	
	December 2017 $'000	December 2016 $'000	December 2017 $'000	December 2016 $'000	December 2017 $'000	December 2016 $'000	December 2017 $'000	December 2016 $'000	December 2017 $'000	December 2016 $'000
Sales to external customers	21,382	21,875	78,139	107,239	19,669	17,201	3,240	2,272	122,430	148,587
Other revenue	-	10	1,023	920	482	515	283	93	1,788	1,538
Share of net profit of associates and JVs	1,827	205	-	-	1,514	2,778	(13)	(30)	3,328	2,953
Total	**23,209**	**22,090**	**79,162**	**108,159**	**21,665**	**20,494**	**3,510**	**2,335**	**127,546**	**153,078**
Corporate overheads							(5,728)	(5,509)	(5,728)	(5,509)
EBITDA excluding write-down in inventories	16,222	15,122	25,388	27,785	5,483	6,644	(5,386)	(5,507)	41,707	44,044
EBITDA	**16,222**	**15,122**	**25,388**	**27,785**	**5,483**	**6,644**	**(5,386)**	**(5,507)**	**41,707**	**44,044**
Depreciation and amortisation	(25)	(25)	(902)	(910)	(21)	(64)	(924)	(678)	(1,872)	(1,677)
EBIT	**16,197**	**15,097**	**24,486**	**26,875**	**5,462**	**6,580**	**(6,310)**	**(6,185)**	**39,835**	**42,367**
Financing costs (includes interest and finance costs expensed through cost of sales)									(10,652)	(13,888)
Profit before income tax									**29,183**	**28,479**
Income tax expense									(7,470)	(9,016)
Profit for the period									**21,713**	**19,463**
Loss attributable to non-controlling interests									165	288
Profit attributable to owners of Peet Limited									**21,878**	**19,751**

3. Revenue

	December 2017 $'000	December 2016 $'000
Revenue from sales of land	97,016	122,374
Project management and performance fees	25,414	26,213
Other revenue	1,788	1,538
	124,218	**150,125**

4. Profit before income tax

	December 2017 $'000	December 2016 $'000
Profit before income tax includes the following specific expenses:		
Expenses		
Land and development cost	49,723	72,907
Capitalised interest and finance expense	6,250	10,415
Total land and development cost	**55,973**	**83,322**
Depreciation	1,288	1,284
Amortisation	584	393
Total depreciation and amortisation	**1,872**	**1,677**
Employee benefits expense	17,575	16,923
Project management, selling and other operating costs	10,415	11,093
Other expenses	8,126	8,110
Total other expenses	**36,116**	**36,126**
Total expenses	**93,961**	**121,125**
Finance costs		
Interest and finance charges paid/payable	4,329	6,630
Interest on bonds	5,615	3,917
Amount capitalised	(5,542)	(7,073)
Total finance costs	**4,402**	**3,474**

5. Income tax

	December 2017 $'000	December 2016 $'000
Major components of tax expense		
Current tax	6,706	9,147
Deferred tax	764	(131)
	7,470	**9,016**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	29,183	28,479
Tax at Australian tax rate of 30% (2017: 30%)	8,755	8,544
Tax effect of amounts which are not deductible		
Share of net profit of associates	189	532
Employee benefits	(866)	306
Franking rebate	(732)	(531)
Other	124	165
	7,470	**9,016**

6. Earnings per share

	December 2017	December 2016
Profit attributable to the ordinary equity holders of the Company ($'000)	21,878	19,751
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	489,980,559	489,980,559
Basic and diluted earnings per share (cents)	4.47	4.03

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.

7. Borrowings

	December 2017		June 2017	
	Facility Amount	Utilised Amount[2]	Facility Amount	Utilised Amount[2]
	$'000	$'000	$'000	$'000
Bank loans[1]	**183,000**	**81,821**	**233,000**	**151,714**
	Face value	Carrying amount[3]	Face value	Carrying amount[3]
	$'000	$'000	$'000	$'000
Peet bonds				
Series 1, Tranche 1	100,000	98,272	100,000	98,094
Series 2, Tranche 1[4]	50,000	49,074	-	-
	150,000	**147,346**	**100,000**	**98,094**

[1] Secured

[2] Excludes bank guarantees. Refer note 9 for bank guarantees information.

[3] Net of transaction costs.

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

The borrowings are disclosed as follows in the balance sheet:

	December 2017 $'000	June 2016 $'000
Borrowings – Current	5,794	5,791
Borrowings – Non-current	223,373	244,017
Total borrowings	229,167	249,808
Cash and cash equivalents	(70,856)	(88,367)
Net debt	158,311	161,441

8. Contributed equity

The number of ordinary shares on issue and contributed equity at 31 December 2017 and 30 June 2017 is 489,980,559 shares and $385.96 million, respectively.

9. Contingencies and commitments

9.1 Contingencies

	December 2017 $'000	June 2017 $'000
Bank guarantees outstanding	23,358	19,605
Insurance bonds outstanding	16,174	15,388
	39,532	**34,993**

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.

9.2 Commitments

At 31 December 2017, the Group had commitments of $32.8 million (30 June 2017: $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.

10. Dividends

(a) Dividends paid

The Directors declared a final fully franked dividend of 3.00 cents per share in respect of the year ended 30 June 2017. The dividend of $14.7 million was paid on 4 October 2017.

(b) Dividends not recognised at period end

Subsequent to 31 December 2017, the Directors have declared an interim dividend of 2.00 cents per share fully franked in respect of the year ending 30 June 2018. The dividend is to be paid on Friday, 6 April 2018, with a record date of Friday, 16 March 2018.

11. Fair value measurements

Measurement

The Group measures its derivative financial liabilities at fair value at each reporting date. These derivatives are measured using significant observable inputs (level 2 of the fair value hierarchy). The fair value at 31 December 2017 is $4.1 million (30 June 2017: $4.6 million).

There have been no transfers between levels during the period.

Disclosure

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

The quoted market value (on ASX) as at 31 December 2017 of a Peet bond Series 1, Tranche 1 is $102.50 and of a Peet bond Series 2, Tranche 1 is $103.00.

At 31 December 2017, the carrying value of Peet bonds is $147.3 million (fair value $154.0 million).

12. Significant events during the period

During the period, Peet Limited ("Peet") was named the Western Australian Government's preferred proponent for the 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.

During the period, Peet issued 500,000 Series 2, Tranche 1 Peet Bonds, raising a total of $50 million.

13. Events after the end of the reporting period

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

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 16 are in accordance with the *Corporations Act 2001,* including:

(i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

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

BRENDAN GORE
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
22 February 2018

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Independent auditor's review report to the Members of Peet Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Peet Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 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 half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

G Lotter
Partner
Perth
22 February 2018