



ANNUAL REPORT

PEET

Bringing Land To Life

“Peet is committed to the delivery of high-quality communities for tens of thousands of Australians, and growth and prosperity for our shareholders and syndicate investors.”



CONTENTS

Peet Values	3
Business Overview	4
Performance at a Glance	5
Chairman's Review	7
Managing Director and Chief Executive Officer's Review	9
Operational Review	13
Corporate Calendar	23
Corporate Governance Statement.....	24
Board of Directors	33
Directors' Report.....	35
Auditor's Independence Declaration	55
Financial Report	56
Directors' Declaration.....	133
Independent Audit Report to the Members	134
Securityholder Information	136
Corporate Directory	139

Peet Values



INTEGRITY

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

RESPECT

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

TEAMWORK

We recognise the strength of working together and encourage the development of our people and the sharing of knowledge.

ADAPTABILITY

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

ACCOUNTABILITY

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

CUSTOMER SERVICE

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

Business Overview



Vantage - Queensland

Peet Limited is focused on acquiring, developing and marketing land under a funds management model.

We are committed to growth and prosperity for our shareholders, investors and the residents of our quality, master-planned communities across Australia.

With a sound governance framework and quality infrastructure, a breadth of business skills and project management systems and procedures, Peet effectively and efficiently manages a land bank of almost 48,600 lots in different locations and markets around the country.

The Group employs around 150 people in offices in Perth, Melbourne and Brisbane. It has specialist in-house expertise in a range of relevant disciplines and also draws on the specialist expertise of the very best consultants as required for each project.

The results are projects that demonstrate innovation, earn coveted industry awards, and deliver quality communities for tens of thousands of Australians.

In the 2012 financial year, Peet's key priority has been rigorous capital management in very challenging conditions and it has managed its operations in line with market conditions, positioning itself for growth when the market normalises and improves in the future.

Performance at a Glance



- Operating net profit after tax of \$20.3 million¹
- Statutory net profit of \$5.4 million, including \$14.9m in after tax write-downs, predominantly on non-core assets sold and/or identified for sale
- Statutory earnings per share of 1.7 cents
- Net EBITDA margin¹ of 32%
- Net Tangible Assets of \$1.24² per share
- Gearing of 39.7%³
- 1,776 lots sold for a gross value of \$435.9 million
- 788 lots under contract as at 30 June 2012 for a gross value of \$235 million

1 Pre write-downs

2 NTA is based on independent bank instructed mortgage valuations with no value attributed to the funds management or joint venture business segments

3 (Total interest bearing liabilities (including deferred payment obligations) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets)



Chairman's Review



Flagstone - Queensland

On behalf of the Peet Limited Board, I am pleased to present the Peet 2012 Annual Report.

The 2012 financial year delivered a complex and challenging operating environment and I can report that Peet has responded well in adapting to those changing conditions. It will maintain its focus on its stated strategies to continue strengthening the business.

The Group recorded a net operating profit after tax of \$20.3 million⁴ for the year and its statutory net profit after tax for the full year was \$5.4 million, representing a decrease of 76% compared to the previous corresponding period. This includes write-downs of \$12.3 million⁵ on non-core assets sold or identified for sale and \$2.6 million⁵ relating to a small developing asset in Queensland.

The results reflect the prudent capital management initiatives taken to manage through the current cycle. The management of capital in a manner that protects and positions our balance sheet for the long-term interests of the Company, shareholders and development partners will continue to be a very high priority in the 2013 financial year.

4 Pre write-downs

5 Post tax

Also of high priority will be the continued focus on the growth of both our retail and wholesale funds management platforms. Despite the challenging trading conditions, our track record in land syndication over three decades has earned us a very supportive investor base and I thank our long-standing and new investors alike for their ongoing commitment to Peet.

The Peet Board has again provided measured advice and guidance, and the benefit of their considerable experience in property, finance and business to a very committed and talented management team.

The Board wishes to thank the Managing Director, Brendan Gore, and the executive team charged with leading Peet in what are some of the most challenging conditions in the Australian property market in decades.

We have also been pleased to add to the depth of the Board's experience during the year with the appointment of Mr Trevor Allen as an Independent Non-executive Director in April 2012.

Mr Allen has brought extensive experience in business, corporate finance and capital markets to the role, including 30 years in the corporate advisory sector, which has been, and continues to be, of significant benefit to the Board and Peet.

In accordance with Peet's Constitution, Mr Allen will offer himself for election by shareholders at the 2012 Annual General Meeting to be held in November 2012.

Mr Anthony Lennon also became a Non-executive Director in August 2012. After 21 years in various operational, marketing and business development roles within Peet Limited and, after 16 years as an Executive Director, Mr Anthony Lennon resigned from his executive duties but remains on the Board of Peet Limited and a number of Peet syndicates. I take this opportunity to thank him for his considerable – and ongoing – contribution to the Company.

At the conclusion of the 2012 financial year, I regret to advise that the Directors consider it prudent in the current market to defer dividend payments until market conditions improve. There will therefore be no dividend paid in respect to the 2012 financial year.

While I appreciate this is disappointing for investors, I also trust that investors have confidence in our ongoing dividend payment policy and the validity of the reasoning behind the decision taken.

We are operating in exceptional times where, despite the relative wealth of our own nation, we are heavily impacted by the global economy and consumer and business confidence has been low over a sustained period of time.

This time last year, it was the crisis befalling some European economies and concern about the United States' debt ceiling issue. This year, the slowing of the Chinese economy and falling commodity prices are also having significant flow-on effects in Australia and consumer and business sentiment remains cautious.

Nonetheless, I am reminded why I'm passionate about property – and about Peet Limited.

The Company has quality assets in good locations around Australia – a country with significant population growth, employment opportunity, wages growth and young families who aspire to home ownership.

We have managed through a number of cycles and will continue to maintain the rigour required during the



Burns Beach - Western Australia

current market conditions, while positioning the Company to capitalise on any upturn in consumer sentiment.

The first quarter of the 2013 financial year has given sober indications of the challenges remaining in the Australian property market and we look forward to meeting them head-on in preparation for improvements in FY14 and beyond.

Tony Lennon
CHAIRMAN

28 September 2012

Managing Director and Chief Executive Officer's Review



Shorehaven at Alkimos – Western Australia

Peet's experience and underlying strength was tested during the 2012 financial year by some of the most challenging conditions in decades – and I am pleased to report that the Group's strategy to reposition itself for future growth remains well on track.

The Group's net operating profit after tax of \$20.3 million⁶ for the year was slightly above expectations, taking into consideration the limited depth of the market and the deterioration in market conditions through the year, particularly on the eastern seaboard.

Lower earnings was also an expected outcome of Peet's capital management strategy which involved withholding capital expenditure on some key Company-owned projects until market conditions warrant higher levels of production.

Despite the challenging operating environment in FY12, the Group continued to make good progress in positioning itself for the next major growth phase. To grow future sales rates and earnings, Peet is on track in:

- further developing its funds management business and the wholesale platform established in 2009;

- implementing a multi-pronged capital management program that is responsive to market conditions and maintains a focus on improved operating efficiencies and a lower cost base;
- re-balancing its land bank with a key focus on growth corridors and regions of Western Australia and Queensland, as well as Victoria;
- re-shaping the portfolio with a focus on larger low-cost masterplanned communities; and
- delivering a wide variety of affordable, quality product that meets the market's shifting needs.

This strategic program will continue in the year ahead, positioning the Group to capitalise on the growth opportunities of a more normalised property market in Australia in the medium to long term.

Peet delivers high-quality, affordable residential communities across Australia and we have demonstrated that again this year with industry awards and environmental accreditations in all our key markets.

In the next three years, another 15 projects are scheduled to come into production, including Flagstone City in South East Queensland. Eight of those projects will be part of our expanded Funds Management business.



Cardinia Lakes - Victoria

In short, we are preparing to deliver increased production rates in the years ahead as market conditions normalise, and we have a number of low-cost assets expected to contribute to profit from FY14 onwards.

At 30 June 2012, Peet's total land bank of managed and Company-owned lots stood at almost 48,600, with a growing emphasis on large, masterplanned developments balanced across our key markets.

In line with our longer-term growth strategy, more than 34,600 lots or 71% of our land bank is syndicated or managed. Peet has a very sound retail syndicate investor base built over a long period of time and we continue discussions which would see an expansion of our wholesale platform.

Also in line with our stated strategy, future acquisitions will be predominantly achieved through our retail and wholesale funds management platform.

Though conditions are expected to remain volatile and challenging in FY13, there have been some positive signs in the first months of the year in the Western Australian market.

The Western Australian residential property market is starting to trend upwards with good demand in the first quarter of FY13, particularly for land at price points lower than \$200,000, and a more normalised land market in higher price brackets.

In Queensland, Peet will be accelerating development at our Vantage development in Gladstone (North Queensland), where volume and price levels have remained solid over the past year. Planning for our 13,000 lot residential community and town centre project at Flagstone – a joint venture with MTAA Super in South East Queensland – is also progressing well.

In Victoria, where the market slowed considerably during the year, most of Peet's projects are in the development and infrastructure delivery stages and are expected to provide a variety of product to meet future demand.

More than 1,770 lots were sold during the 2012 financial year for a gross value of \$435.9 million (down 8.2%). More than 2,050 lots, including three super lots, were settled for a gross value of \$481.2 million (down 7.4%).

There were 788 contracts on hand at 30 June 2012 (down 30%) with a gross value of \$235 million (down 19%). The reduction in the number of contracts on hand was largely as a result of our deliberate and strategic decision to restrain capital expenditure on some key Victorian projects where the market had weakened sharply during the year and buyers were having difficulty in securing finance.

The Group recorded operating EBITDA of \$46.6 million⁶, down 43% on the previous financial year, and the EBITDA margin fell 11 points to (a still solid) 32%. More than half of Peet's projects are syndicated and the net EBITDA margin in this business segment held steady at a strong 66%.

The NTA per share of \$1.24 reflects lower independent bank mortgage valuations across Victoria and Queensland in particular and does not account for the value attributable to the Company's Funds Management business.

As part of Peet's pro-active and ongoing capital management strategy, a non-core asset divestment program continued during the year, to reduce debt and position the balance sheet for future growth.

6 Pre write-downs



Quattro: The New Queens Park - Western Australia



Artist's impression, Livingston - Victoria

The Group has targeted up to \$100 million in non-core asset sales and, as at 30 June 2012, there was some \$40 million under unconditional contracts which are contracted to settle by the end of the 2012 calendar year. The orderly sale of up to a further \$60 million in non-core assets is targeted for the second half of the 2013 calendar year, subject to market conditions.

At year end, the Group was compliant with all banking covenants.

Gearing at 30 June 2012 was 39.7%, though we are targeting gearing of less than 35% by the end of the 2013 financial year and sub-30% by June 2014.

Peet's underlying capital management strategy remains on track and will continue through FY13. We have a clearly defined strategy as well as an experienced management team and a well-tested business model, and I am confident that we will end the 2013 financial year in an even better position to capitalise on growth opportunities as market conditions begin to normalise.

GROUP STRATEGY

The Company is taking a very cautious view in its short-term residential market outlook. It has a well-defined

strategy that responds appropriately to the persistent poor market conditions and will continue to focus on the following key elements:

- careful allocation of capital into projects until there is greater certainty around sales and settlements for new releases. We recognise that this will impact earnings for the 2013 financial year but believe it prudent in the current operating environment;
- continuing an orderly and timely non-core asset divestment program to retire debt;
- maintaining pressure on operating costs and overheads efficiencies; and
- continuing to meet the market with a mix of desirable and affordable product.

The Group will continue to be measured and strategic in its approach to capital investment to achieve the sales that reflect the current depth of the market, particularly in Victoria. We will continue to invest responsibly in projects where there is greater certainty.

This disciplined approach to capital management positions Peet to take advantage of any improvement or normalisation of the market to deliver more positive results to shareholders.

OUTLOOK

The 2012 financial year delivered some of the most challenging conditions experienced in almost 20 years and there is little expectation that markets will improve significantly in FY13.

The series of interest rate cuts in FY12 has not had the desired effect to date and consumer and business confidence remains low.

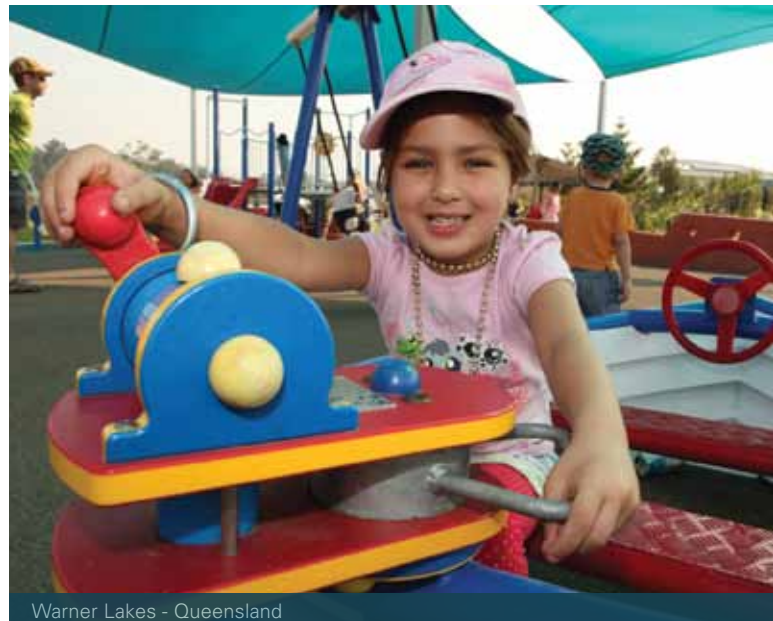
The long-term fundamentals of the Australian property market – including population growth, an under-supply of housing and a tight rental market – remain conducive to an improving market. However, the catalyst for household confidence, which will underpin improved demand in the residential property market activity, is yet to be found.

Peet remains confident in its underlying value with a growing wholesale and retail Funds Management business, coupled with quality, Company-owned projects. The Group is well prepared to respond quickly and effectively to any improvement in consumer sentiment and the residential market.

However, given the ongoing uncertainty in Australia, and until the timing and strength of the expected recovery is confirmed, the Directors are unable to provide guidance on FY13 operating earnings with any degree of certainty.

The year ahead is a period of consolidation for Peet. I am excited about what lies ahead of us as we start to realise our targeted strategic objectives.

Peet moves forward with great depth in its executive management and across the entire team nationally. I want to particularly commend and thank the entire Peet team with whom I have the privilege of working. Their commitment and flexibility has again been highlighted by the challenging operating environment and our investors can be assured their drive and determination remains as strong as ever.



Warner Lakes - Queensland

I trust Peet Limited's Chairman, Tony Lennon, and the Board are also aware of our appreciation of their diligence and support, particularly during the past year.

Finally, I particularly thank our shareholders, institutional and joint venture partners, and our retail syndicate investors. Your loyalty and confidence is never taken for granted and I assure you that everyone at Peet Limited continues to strive for the best possible results from every area of the business.

We relish the challenges – and look to the successes – ahead.

Brendan Gore

MANAGING DIRECTOR AND CEO

28 September 2012

Operational Review



Burns Beach - Western Australia

HIGHLIGHTS

- Group revenue of \$146.9 million
- Operating EBITDA⁷ of \$46.6 million
- 1,776 owned and managed lots sold with a gross value of \$435.9 million
- More than 2,050 owned and managed lots settled with a gross value of \$481.2 million
- 788 contracts on hand as at 30 June 2012 with a gross value of \$235 million
- Total land bank of almost 48,600 lots with an on-completion value of more than \$8.8 billion

7 Pre write-downs

GROUP PERFORMANCE

Peet offers quality product targeted at the affordable and middle segments of the market in the growth corridors of Perth, Melbourne and South East Queensland.

The Group's performance in the 2012 financial year was slightly better than had been anticipated towards the end of the first half, and achieved despite market conditions deteriorating even further in the second half of the year.

In line with overall market conditions, EBITDA⁷ margins across the Group were weaker, down from 43% in the previous financial year to 32% in FY12. More than half of Peet's projects are syndicated and the net EBITDA⁷ margin in this sector of the business held steady at a strong 66%.

Managed projects represented around 40% of the Group's EBITDA⁷ and the earnings contribution showed the reweighting of the land bank to Western Australia and Queensland. The Group's operational strategy was also reflected in a smaller number of larger projects driving Company-owned development returns.



Shorehaven at Alkimos - Western Australia



Aston - Victoria

During the year 1,776 owned and managed lots were sold with a gross value of \$435.9 million while more than 2,050 lots settled with a gross value of \$481.2 million. At 30 June 2012, there were 788 contracts on hand with a gross value of \$235 million.

The reduction in contracts on hand at year-end of around 30% compared to the same time in 2011 is due predominantly to the weakness in the market; the difficulty of buyers obtaining finance in the prevailing conditions; the deliberate reduction in capital investment in some Victorian projects; and considered capping of pre-sales in the Victorian market which had reached the top of its cycle.

Peet managed its operations during the year in line with the lower sales volumes expected in the market conditions, while maintaining its capability to respond to more normalised levels of demand in the future.

In response to market conditions during the year and forecasts for FY13, Peet resolved to defer development in two large, Company-owned projects in Victoria until there are signs of improvement. The company has accelerated development for FY13 and FY14 of its

Vantage community in Gladstone, Queensland where demand has proved strong.

In the next three financial years, 15 new projects are expected to start development including eight syndicated projects (including Flagstone City in Queensland) and seven Company-owned projects.

“In the next three financial years, 15 new projects are expected to start development.”

Project portfolio

The benefits of Peet's strategy over the past three years to achieve a counter-cyclical repositioning of its land bank with a focus on the longer-term growth states of Western Australia and Queensland was underlined in the 2012 financial year when conditions in the Victorian market deteriorated markedly.

Peet has continued to build on that strategy in FY12 with a divestment program targeting up to \$100 million in non-core assets.

At year-end, around 80% of Peet's land bank was split almost evenly between the resource-rich states of Western Australia and Queensland, while 19% of the land bank was located in Victoria.

As at 30 June 2012, Peet's owned and managed land bank was the equivalent of approximately 48,600 lots with an on-completion value (in today's dollars) of \$8.8 billion.

A key element of Peet's growth strategy is to build the strength of its Funds Management business and, at 30 June 2012, more than 34,600 lots with an estimated on-completion value of almost \$6.2 billion – or around 70% of the total land bank – formed the syndicated or managed pipeline.

Peet's land bank represents approximately 24 years' supply, based on current production rates. The Group will continue to identify opportunities to strategically grow its land bank in growth areas when market conditions are optimal.

Carrying value of inventories

Peet recorded write-downs after tax of \$12.3 million on non-core assets sold or identified for sale and \$2.6 million relating to a small developing asset on the Sunshine Coast in Queensland.

Capital management

Peet maintained its strong and ongoing commitment to a clear capital management strategy throughout the year and will continue to do so in the year ahead.



The Village at Wellard - Western Australia

That strategy prioritises reducing debt and further strengthening the balance sheet, which will not only see Peet through the present cycle but position the Group for future growth.

Peet responded effectively to the prevailing market conditions on several fronts during the year with the implementation of a non-core asset divestment program to retire debt; careful allocation of capital into new projects; and a continued focus on improving operating and overhead cost efficiencies.

The Group has targeted up to \$100 million of non-core asset sales and, at year-end, there was some \$40 million under unconditional contracts, contracted to settle prior to 31 December 2012. The orderly sale of up to a further \$60 million in non-core assets is targeted for the 2013 calendar year, subject to market conditions.



Lakelands Private Estate - Western Australia



Sea Crest - New South Wales

For the year ended 30 June 2012:

- the average cost of debt was 8.48%;
- Group interest cover was 1.6 times; and
- gearing⁸ as at that date was 39.7%.

Peet had interest-bearing debt (including its convertible notes), net of cash, of \$293 million as at 30 June 2012, compared with \$217 million at the same time in the previous year. A large portion of this increase is attributable to cash invested in the 13,000-lot Flagstone project in South East Queensland, which settled in July 2011 (\$47 million), and development costs at key Company-owned projects, including Gladstone in Queensland and Craigieburn in Victoria.

At year-end, 63% of the Group's interest-bearing debt was hedged, compared with 91% at the end of FY11, resulting in an average hedge maturity profile of 3.1 years compared with 3.5 years at 30 June 2011.

The Group had cash and available facilities totalling \$53.9 million at year-end and was compliant with all covenants.

8 (Total interest bearing liabilities (including deferred payment obligations) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets)

COMPANY-OWNED PROJECTS

The Group achieved 364 Company-owned sales including three super lots at a gross value of \$111.2 million. A total of almost 400 lots was settled during the year, including the super lots, for a gross value of \$100.1 million.

At 30 June 2012, there were 141 contracts on hand with a total gross sales value of \$34.9 million. This compared with 178 in the previous corresponding period, largely due to the deliberate strategy to delay capital investment in some Company-owned projects in response to the weak market conditions particularly in Victoria. Those projects, and up to seven new Company-owned projects, will be in development over the next three financial years, assuming the market normalises and improves.

Peet's Company-owned projects totalled the equivalent of almost 14,000 lots at year end, with an on-completion value of just over \$2.6 billion.

FUNDS MANAGEMENT

Peet manages and markets residential land developments on behalf of land syndicates and under joint venture or project management arrangements.

With more than 30 years' experience in land syndication, it enjoys the benefits of a supportive investor base which understands the cyclical nature of residential development.

Despite challenging trading conditions throughout the year, both Peet's very significant retail platform and its wholesale funds management platform performed soundly.

Highlights

- Revenue of \$86 million from the settlement of 395 Company-owned retail lots, and \$6 million in revenue from the settlement of three super lots
- Earnings before interest and taxes⁹ of \$20.2 million
- Pre-tax write-down in inventory of \$21.2 million
- Net EBITDA margin of 22%⁹
- 364 lots sold including three super lots at a gross value of \$111.2 million
- 141 contracts on hand for a gross value of \$34.9 million

9 Pre write-downs



Quattro: The New Queens Park - Western Australia

“At year-end, the Group’s managed lots made up 71% of the total portfolio, and had an estimated on-completion value of \$6.2 billion.”

Project management and selling fees from 35 managed projects represented around 60% of the funds management revenue for the year.

There were almost 1,400 syndicated and managed lots settled during the year for a gross value of \$325.7 million with 565 contracts on hand as at 30 June 2012, with a gross value of \$181.5 million.

At year-end, the Group’s managed lots made up 71% of the total portfolio, and had an estimated on-completion value of \$6.2 billion.

Of the 15 new Peet residential communities to commence within the next three years, more than half will be syndicated, including Flagstone City in South East Queensland where planning work progressed well during the year.

The first residents moved into Shorehaven at Alkimos in Western Australia in July 2011 and sales also commenced at two other coastal communities in Western Australia during the year – at Yanchep Golf Estate in the northern coastal corridor and at Golden Bay, a 2,200 dwelling coastal development south of Perth.



Burns Beach - Western Australia

Highlights

- Earnings before interest and tax \$18.3 million
- Net EBITDA margin of 66%
- Revenue of \$28.5 million
- Almost 1,170 lots sold for a gross value of \$271.8 million
- Almost 1,400 lots settled for a gross value of \$325.7 million
- 565 contracts on hand as at 30 June 2012 for a gross value of \$181.5 million
- 244 sales and 256 settlements from two joint venture projects for a gross value of \$52.8 million and \$34 million respectively

Preparations for the official July 2012 launch of Riverbank in Caboolture, Queensland, and the \$10.5 million bridge accessing the site (funded by the Federal Housing Affordability Fund) were also completed. The Federal Housing Minister, the Hon. Brendan O'Connor MP and Myer Family Company Chairman, Martyn Myer AO, officiated.

In the years ahead, Peet will continue to expand its Funds Management business and future acquisitions will be funded through the retail and wholesale platform.



Cardinia Lakes - Victoria

“The Alkimos-Eglinton area is expanding rapidly and projects like Shorehaven are a key element of its growth. We are looking forward to seeing Shorehaven develop into a vibrant, sustainable and connected community that will provide an enjoyable lifestyle for residents.”

Tracey Roberts, Mayor of Wanneroo

Joint ventures

The Company has two joint venture projects with the Western Australian Government.

There were 244 sales at Quattro: the New Queens Park and The Village at Wellard during the year. A total of 256 lots were settled during the year and another 82

contracts were on hand as at 30 June 2012 with a total value of \$18.2 million.

The final land ballot at Quattro: the New Queens Park was held in April 2012 and all stages were sold out during the year. A small number of car park lots will be available at this urban renewal project during the 2013 financial year.

SUSTAINABILITY

Peet Limited is committed to sustainability and environmental excellence and applies sustainability principles in its development projects and business practices, as well as leading and supporting industry uptake of sustainable practices.

- construction of a Community Centre, collaboratively funded by Peet, the Department of Housing WA, the Town of Kwinana and Lotterywest, was progressed;
- Peet undertook a series of environmental awareness and education initiatives for residents and surrounding communities across Australia. These ranged from organising and partnering with schools and other groups

“For a development company to acquire a sixth EnviroDevelopment certification is an enormous accomplishment and a testament to Peet’s absolute commitment to environmental values in their operations across Australia.”

UDIA National EnviroDevelopment Manager, Kirsty Chessher

Priorities in the design, construction and community capacity building of our masterplanned communities include the environment, safety, social well-being and economic opportunity.

Peet also addresses the critical issue of affordability by designing and providing a range of lot sizes at different locations to suit a variety of lifestyles and budgets. Our partnerships with builders and others also help us provide competitive pricing and a range of incentives to assist homebuyers entering the property market.

During the year:

- three Victorian communities were awarded accreditation under the Urban Development Institute of Australia’s EnviroDevelopment program – Quarters, Cranbourne, Cardinia Lakes in Pakenham and Aston, Craigieburn;
- Riverbank Estate became the first Peet project in Queensland to achieve EnviroDevelopment accreditation in May 2012. The community was recognised in four categories – Ecosystems, Energy, Water and Community;

in National Tree Day events through to recycling tips and competitions and advice on waterwise gardening;

- an innovative partnership was formed between Flagstone Rise and the Souths Logan Magpies Rugby League Football Club (a division of the Canberra Raiders National Rugby League Club) to extend the Magpies’ youth development program in the Logan region, to Flagstone in South East Queensland;
- there was a wide range of events at Peet estates during the year, bringing together thousands of residents and members of the wider community to celebrate important milestones and encourage a sense of community. Among the events were display village openings, festive celebrations and family fun days including the launch of the Shorehaven Display Village at Alkimos, Western Australia in August 2011, which attracted around 2,500 people; and
- construction of the \$6 million Flax Lily Creek wetlands at Aston in Craigieburn, Victoria began. The project takes in almost seven hectares of landscaped parklands with viewing decks and walkways – providing a sanctuary for residents and visitors to relax, explore and discover native plants and wildlife.

“Quinns Mindarie Surf Lifesaving Club provides voluntary patrols on Quinns Beach and surrounding areas to help ensure the safety of beachgoers – in the surf and on the sand.”

Karen Gollan, Club Vice-president



Cardinia Lakes - Victoria

COMMUNITY

Peet Limited is proud to have been part of the Australian community for more than 115 years. Building community capacity and supporting local groups and organisations is an important part of our work around Australia.

In December 2011, Peet was pleased to support the Perth 2011 ISAF Sailing World Championships – an Olympic qualifying event that attracted more than 1,400 athletes and officials from 80 nations.

For the sixth year, Peet was proud to support the work of Anglicare WA through the 2012 Peet Op Shop Ball for Anglicare. The event raised a record amount in March 2012 with a focus on homeless young people. The total amount raised now exceeds \$1 million and “suitcases of hope” have been delivered to many hundreds of children. Peet has again committed to the 2013 Peet Op Shop Ball for Anglicare.

During the year, Peet also joined Variety Queensland as the major partner in a new charity house project at Vantage in Gladstone. The project is recognised as one of the biggest charity ventures ever undertaken in the region and is expected to raise \$250,000 for four local

beneficiaries which provide support services for families and youth.

By contributing to not-for-profit organisations in areas of the arts, social welfare groups and sport, Peet supports a wide range of groups who, in turn, help thousands of Australians in need every year.

In 2012, Peet communities were proud to sponsor more than 35 organisations and initiatives including groups in the arts sector; community development initiatives; sporting groups, and environmental programs.

This included support of the local Surf Lifesaving Clubs by Shorehaven at Alkimos, WA and Sea Crest, Shellharbour NSW and a five-year partnership with the Cranbourne Cricket Club in Victoria.

In Victoria, Peet Limited also sponsored the UDIA Young Professional of the Year Award for the sixth year and the Victorian Planning and Environmental Law Association Young Professional Awards, supporting the development of young professionals in the industry.



Flagstone - Queensland



Sea Crest - New South Wales

AWARDS

Peet Limited has been proud to earn a number of coveted industry awards for excellence in planning, design, environmental management and the development of vibrant, sustainable communities. Since 2010, it has added to its list of awards:

- Urban Development Institute of Australia (QLD) Awards for Excellence, Best Residential Subdivision – Warner Lakes, QLD;
- Urban Development Institute of Australia (WA) Awards for Excellence, Sustainable Urban Development – Carramar Golf Course Estate, WA;
- Urban Development Institute of Australia (VIC), Residential Development 250 Lots or Fewer – Skye Valley, VIC;
- Urban Development Institute of Australia (VIC) Awards for Excellence Judges' Award – Innisfail, VIC;
- Town of Kwinana, Looking Forward Award – The Village at Wellard, WA;
- Parks and Leisure Australia (National) Awards for Excellence, Inclusive and Connected Communities – The Village at Wellard, WA;
- Parks and Leisure Australia (WA) Awards for Excellence, Inclusive and Connected Communities – The Village at Wellard, WA;
- Urban Development Institute of Australia (QLD) Women In Development Excellence Awards (Industry Support Services category) – Sandra MacKinley, QLD; and
- Australian Marketing Institute (WA) Award New Product Launch – Launch of Shorehaven at Alkimos, WA.

Corporate Calendar

28 September 2012

Annual report for the year ended 30 June 2012 lodged with ASX.

26 October 2012

Annual report dispatched to all shareholders.

28 November 2012

Annual General Meeting at the Parmelia Hilton Perth Hotel, Mill Street, Perth at 10.00am (AWST).

February 2013

Release of results for the half-year ending 31 December 2012.



Corporate Governance Statement

Outlined below are the main corporate governance policies and practices in place during the financial year ended 30 June 2012. Unless otherwise stated, these are consistent with the ASX Corporate Governance Council's principles and recommendations and copies of relevant charters and policies are available at www.peet.com.au.

Board of Directors

Role of the Board

The Board of Directors is responsible for the corporate governance structures and practices of the Peet Group.

Under the Board charter, the Board's responsibilities include:

- setting strategic direction of the Peet Group and monitoring management's performance within that framework;
- ensuring there are adequate resources available to meet the Peet Group's objectives;
- appointing and removing the Managing Director and Chief Executive Officer and overseeing succession plans for the senior executive team;
- approving and monitoring financial reporting and capital management;
- approving and monitoring the progress of business objectives;
- ensuring that any necessary statutory licences (for example, Australian Financial Services Licence) are held and compliance measures are maintained to ensure compliance with the law and licence(s);
- ensuring that adequate risk management procedures are in place;
- ensuring that the Peet Group has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Group.

Composition of the Board

Under the Constitution, the minimum number of directors is three. The maximum number of directors is to be fixed by the directors, but may not be more than 14, unless the Company in general meeting resolves otherwise.

Following the:

- appointment of Mr Trevor Allen as an Independent Non-executive Director on 5 April 2012; and

- transition of Mr Anthony James Lennon from Executive to Non-executive Director on 27 August 2012

The Board currently comprises of five non-executive directors (including three independent directors) and one executive director.

Board Members

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the Board of Directors section of this report. The ASX Corporate Governance Council's principles (the Principles) recommend that Boards consist of a majority of independent non-executive directors. While the Peet Board does not meet this recommendation, it does consist of a majority of non-executive directors (one of whom is Chairman) and 50% of independent non-executive directors.

While the overall composition of the Board does not currently meet ASX guidelines on independence, the Directors believe that the current composition has the necessary skills and motivation to adequately discharge its obligations.

Mr Tony Lennon who is (indirectly) the largest shareholder in the Company and the Non-executive Chairman, is not independent. However, the Board strongly believes that due to the wealth of experience in Peet's business sector and knowledge of the Peet Group business that he brings to the Board, he is currently the most suitable person to occupy the position of Chairman.

Mr Stephen Higgs is deemed to be independent under the principles set out on page 26.

Mr Graeme Sinclair is deemed to be independent under the principles set out on page 26.

Mr Trevor Allen is deemed to be independent under the principles set out on page 26.

Mr Anthony Lennon is not considered independent under the principles set out on page 26.

Board Diversity

The Board recognises the benefits that arise from employee and board diversity and, as required by the Principles, adopted a Diversity Policy (the Policy) in January 2011.

In the Policy, "Diversity" includes, but is not limited to, gender, age, ethnicity, sexual orientation, disability and cultural background. The Policy also requires that the Board seek to develop measurable objectives for the Company to achieve greater gender diversity at board, executive and at a whole of company level.

In addition to adopting the Policy, the Principles recommend that companies disclose annually their measurable objectives for achieving gender diversity, their progress towards achieving those objectives and the proportion of women in the whole organisation, in senior management, and on the board.

The Company's gender diversity objectives and progress towards achieving those objectives are detailed below.

Objective	Progress
Increase the percentage of women in people management roles to 45-50% by 2015.	On track, with the percentage increasing from 28% as at 30 June 2009 to 42% as at 30 June 2012.
Annual employee survey on diversity to be introduced (voluntary participation due to privacy laws).	To be undertaken in accordance with annual objective.
Pay equality to be reviewed annually.	Undertaken in accordance with annual objective.
Annual resource planning sessions with divisional managers to discuss succession planning and staff resourcing.	To be undertaken in accordance with annual objective.

Objective	Progress
During each director and executive selection and appointment process, the Board will reinforce the Company's recruitment and selection processes and ensure the professional search firm presents a diverse pool of candidates.	The Company meets the appointment process objective.
Continue to assess and provide for flexible working arrangements and family support programs that balance the needs of employees with families and those of the Company.	The Company meets the objective.
Establish a program which requires senior employees to continue to stay in touch with employees on parental leave on a regular basis and provide assistance to help them successfully transition back to work.	Program initiatives currently being developed.

As at 30 June 2012, the proportion of women at various levels of the Company was:

Level of role	% Female
Director	0%
Senior Executives	0%
People Managers	42%
Company	57%

The Company recognises that a key challenge for the Group will be increasing female representation at the board and senior executive level.

The Company's recruitment processes provide that selection of employees is merit based and focused on selecting the best person for the job. However, in accordance with the Board's objective, when board and senior executive level appointments are required to be made, the Board will ensure the Company's recruitment and selection processes are undertaken, and that a diverse pool of candidates is presented by the professional search firm.

Directors' independence

The Board of Peet defines an independent director as a non-executive director and:

- is not a substantial (as defined by Corporations Act) shareholder of the Company or an officer of a substantial shareholder who has a financial interest in the substantial shareholder;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provider;
- is not a material supplier or customer of the Company or other group member, or an officer of a material supplier or customer who has a financial interest in the material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company or other group member;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of more than 5% of annual turnover of the Company or Group or 5% of the individual director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact a shareholder's understanding of the director's performance.

Term of Office

Apart from the Managing Director, all directors are appointed for a term (maximum of three years) retiring in rotation.

Chairman and Managing Director

The roles of Chairman and Managing Director are strictly separated.

The Chairman is responsible for:

- leading the Board in its duties to the Peet Group;
- ensuring there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
- facilitating effective discussions at Board meetings; and
- ensuring effective communication with shareholders.

The Managing Director is responsible for:

- strategy and policy direction of the operations of the Peet Group;
- the efficient and effective operation of the Peet Group;
- ensuring the Board is provided with accurate and clear information in a timely manner to promote effective decision-making; and
- ensuring all material matters affecting the Peet Group are brought to the Board's attention.

Independent Professional Advice

In fulfilling their duties, each director may obtain independent professional advice at the Company's expense, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

Performance Assessment

The Board undergoes periodic formal assessments as and when considered appropriate, and informal self assessment on an ongoing basis.

The formal assessment process generally involves the appointment of an independent, third party consultant to facilitate the process and typically includes the requirement for each director to complete a questionnaire and to be interviewed by the third party consultant. Matters assessed may include the role, composition, procedures, practices and behaviour of the Board, its committees and their members.

This is then generally followed by a facilitated workshop at which the directors discuss the findings from the questionnaires and interviews and agree on a program of actions.

The final part of the process generally involves individual feedback sessions facilitated by the independent third party consultant.

It is the Board's current intention to undertake the next formal assessment of its (and its committees') performance in the first half of 2013 calendar year.

The Board continuously assesses its performance on an informal basis.

Board Committees

The following committees serve the Board:

Remuneration Committee

The Remuneration Committee meets as frequently as required and during the year held six meetings. The Committee operates in accordance with its charter which is available on the Company's website. Its primary function is to make recommendations to the Board on:

- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- recruitment, retention and termination policies for senior management;
- incentive schemes;
- superannuation arrangements;
- senior management succession plans; and
- the remuneration framework for directors, including non-executive directors.

Up to 26 June 2012, the Remuneration Committee comprised of two independent directors and the Non-executive Chairman.

Since 26 June 2012, the composition of the Remuneration Committee has changed to comprise three independent directors.

The chairperson of the Remuneration Committee is the person appointed by the Board.

The members of the committee during part or the whole of the financial year and up to the date of the Directors' Report were:

- Mr S F Higgs - Independent Non-executive Director;
- Mr G W Sinclair - Independent Non-executive Director;
- Mr A W Lennon - Non-executive Chairman (resigned from the Committee 26 June 2012); and
- Mr T J Allen - Independent Non-executive Director (appointed to the Committee 26 June 2012).

Mr S F Higgs stepped down from his role as Chairman of the Remuneration Committee on 26 June 2012 and remains a Committee member.

Mr T J Allen joined the Remuneration Committee and was appointed its Chairman on 26 June 2012.

Details of these directors' attendance at Remuneration Committee meetings are set out at item 12 in the Directors' Report.

The Group Company Secretary acts as secretary to the Committee and attends its meetings.

Details of key management personnel remuneration is set out at item 14 in the Directors' Report.

As at the 30 June 2012, the Company's key management personnel comprised the Directors and the Executive Team, whose members report directly to the Managing Director and Chief Executive Officer.

The process for evaluating the performance of the Executive Team members (not including the Managing Director and Chief Executive Officer) generally involves an analysis of:

- a summary of the executives' highlights for the previous 12 months;
- an assessment against the Company's values and behaviours, which is considered a mandatory aspect of the day-to-day performance and an integral part of the Company's culture;

- an assessment against personal objectives and key performance indicators; and
- an assessment of personal skills and attributes.

This performance evaluation is undertaken by the Managing Director and Chief Executive Officer.

The performance evaluation for each member of the Executive Team in respect of the year ended 30 June 2012 is currently in progress.

The Managing Director and Chief Executive Officer has his performance assessed by the Remuneration Committee and the Board based, primarily, on various Group financial and non-financial performance criteria.

Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to review and monitor the financial affairs of the Company and to ensure there are adequate policies in place in relation to risk management, compliance and internal control systems.

The Committee's primary responsibilities include the following:

- review the integrity of the Peet Group's financial and external reporting;
- review and assess the external auditors' activities, scope and independence;
- review the management processes for the identification of significant business risks and exposures and review and assess the adequacy of management information and internal control structures; and
- provide assurance that the Peet Group is adequately managing risk relating to corporate governance and is maintaining appropriate controls against conflicts of interest and fraud.

Under its charter, the Audit and Risk Management Committee consists of a minimum of three directors with a majority of independent directors. The Board selects the chairperson of the Audit and Risk Management Committee.

Up to 26 June 2012, the Committee comprised two independent non-executive directors and the Non-executive Chairman.

Since 26 June 2012, the composition of the Committee has changed to comprise three independent directors.

At the discretion of the Committee, the external auditor and other members of the Board and management are invited to Committee meetings as and when considered appropriate.

The Audit and Risk Management Committee will consider any matters relating to the financial affairs of Peet and any other matter referred to it by the Board.

The Audit and Risk Management Committee charter requires the committee to meet at least three (3) times a year. The Committee held six meetings during the year and all the other directors were invited to these meetings, along with the Chief Financial Officer and/or the Group Financial Controller.

The external auditors were invited to attend five of the six meetings.

The members of the committee during part or the whole of the financial year and up to the date of the Directors' Report were:

- Mr G W Sinclair (Chairman) - Independent Non-executive Director;
- Mr S F Higgs - Independent Non-executive Director;
- Mr A W Lennon - Non-executive Chairman (resigned from the Committee 26 June 2012); and
- Mr T J Allen – Independent Non-executive Director (appointed to the Committee 26 June 2012).

Details of these Directors' attendance at Audit and Risk Management Committee meetings are set out at item 12 in the Directors' Report.

The Group Company Secretary acts as secretary to the Committee and attends its meetings.

Compliance Committee

The Compliance Committee is responsible for monitoring and reviewing the effectiveness of the various Compliance Plans and functions governing the various Managed Investment Schemes for which Peet Funds Management Limited (a wholly-owned subsidiary of Peet Limited) acts as Responsible Entity and Custodian.

The members of the Compliance Committee during part or the whole of the financial year and up to the date of the Directors' Report were:

- Mr D Rundle (external member) - was a practising accountant for over 40 years, including 11 years in public practice. In more recent times has been involved in property development, including being a member of the unit-holders advisory committee of Managed Investment Schemes managed by Peet.
- Mr A Hicks (external member) - former partner of the firm currently known as RSM Bird Cameron. Mr Hicks spent his entire working life in public practice and is a Fellow of both CPA Australia and Institute of Chartered Accountants of Australia. Mr Hicks resigned, effective 27 March 2012, from the Committee.
- Mr G Sinclair (Independent Non-executive Director) - was appointed to the Committee 27 March 2012.
- Mr Dom Scafetta (Group Company Secretary).

Peet's Compliance Officer acts as secretary to the Committee and attends its meetings.

The Compliance Plans of the Managed Investment Schemes have been lodged with the Australian Securities and Investments Commission (ASIC) and are subject to ongoing review.

The Committee meets at least four times a year and is required to report breaches of the *Corporations Act 2001*, the Group's Australian Financial Services Licence and the various Managed Investment Schemes' Constitutions and Compliance Plans to the Board, which is then required to report to ASIC any significant breach of obligations.

Australian Financial Services Licence (AFSL)

During the year ended 30 June 2012, a wholly owned subsidiary of Peet Limited, Peet Funds Management Limited (PFML), applied to ASIC for an Australian

Financial Services Licence (AFSL) to replace Peet Limited as responsible entity of the Group's various Managed Investment Schemes.

The transfer of the responsible entity function to PFML was a result of an operational restructure conducted by the Peet Group. The restructure was undertaken primarily to improve the corporate governance and risk management of the Group by ensuring the operation of the Group's various Managed Investment Schemes is conducted by an entity, which is separate from Peet Limited and its trading activities.

The appointment of PFML as the Responsible Entity and Custodian of the Group's various Managed Investment Schemes came into effect 5 July 2012.

The Directors of PFML are:

- Mr G W Sinclair - Independent Non-executive Director of Peet Limited;
- Mr B D Gore – Managing Director & CEO of Peet Limited; and
- Mr A J Lennon – Non-executive Director of Peet Limited.

Nomination Committee

No nomination committee currently exists.

Any changes to directorships will continue to be considered by the Remuneration Committee and the Board.

When a new director is to be appointed, the Board, together with the Remuneration Committee, will review the range of skills, experience and expertise on the Board, identify its needs and prepare a short-list of candidates with appropriate skills and experience. Where necessary, advice will be sought from independent search consultants.

The Board will then appoint the most suitable candidate who must stand for election at the next annual general meeting of the Company. The Board's nomination of existing directors for reappointment is contingent on their past performance, contribution to the Company and the current and future needs of the Board and the Company.

Risk Management

The Board recognises the importance of managing the risks associated with Peet's business operations and has adopted a formal Risk Management Plan in keeping with its Risk Management Policy Statement, a copy of which is available on the Corporate Governance section of the Company's website (www.peet.com.au).

Management is responsible for the design and implementation of the risk management framework and internal control systems to manage the Company's material business risks and to report to the Board on whether those risks are being managed effectively.

Individual business units are responsible for integrating the risk management framework within their business processes and systems.

The Audit and Risk Management Committee assists the Board in its risk management oversight function, receives reports from management on the Company's material business risks and monitors the effectiveness of risk management and internal control policies.

While the identification, monitoring and reporting of risks occurs continually, management reviews the Risk Management Plan periodically to ensure its ongoing relevance.

The Risk Management Plan represents a component of the overall internal controls of Peet to assist in risk management. Other internal controls include:

- establishing a company-wide code of conduct;
- the adoption of written policies and procedures;
- the delegation of authority across the various levels of the Company;
- establishment of reporting systems to monitor compliance;
- appointment of a compliance officer; and
- a network disaster recovery plan.

During the year, the Audit and Risk Management Committee and the Board received periodic reports on management's ongoing monitoring of, and action plans for, material business risks.

External Auditors

The Company and Audit and Risk Management Committee policy is to appoint external auditors who demonstrate quality and independence. The performance of the external auditor is reviewed periodically and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

PricewaterhouseCoopers was appointed as the external auditor of the Company in 1998. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. The current lead audit partner, David J Smith, was first appointed for the 2008 financial year's audit and, accordingly, will be rotated off the audit for next year.

An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in item 16 of the Directors' Report and in note 27 to the financial report.

The external auditor is requested to attend the Annual General Meeting and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the audit report.

Corporate Reporting

The following certifications required by the Corporations Act 2001 have been made to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects

Promotion of Ethical and Responsible Decision Making

Code of conduct

The Board believes that the success of the Peet Group has been, and will continue to be, enhanced by a strong ethical culture within the organisation. As the Peet Group grows, the need to ensure that ethical standards remain has led the Board to embrace policies to ensure that all directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their employment with the Peet Group.

The Company has documented the requirements to ensure that all legal and other compliance obligations to legitimate stakeholders are fully met. The various charters and policies are periodically reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

Share trading guidelines

Employees

Employees, other than directors or senior management, may buy or sell Peet shares on the ASX in the period of 60 days commencing immediately following:

- the announcement of half-yearly results;
- the announcement of annual results; or
- the holding of the Annual General Meeting except where an employee is in possession of price sensitive information or where the Company is in possession of price sensitive information and has, during the 'window' set out above, notified the employee that they may not buy or sell shares during all or part of any such period.

Employees, other than directors or senior management, may also buy or sell Peet's shares during the period that Peet has a current prospectus or other form of disclosure document on issue pursuant to which persons may subscribe for shares.

During other periods

Outside of the 'window' period, all employees, other than directors or senior management, must receive clearance for any proposed dealing in Peet's shares on the ASX by informing and receiving approval from the Managing Director prior to undertaking a transaction.

Directors and senior management

Unless there are unusual circumstances, as determined by the Board, approval will not be given to enable directors and senior management to trade in Peet's shares outside the 'windows' discussed above.

Additionally, before directors and senior management can deal in Peet's shares during the windows previously mentioned, they must follow these procedures:

- a director of Peet (including the Managing Director) must notify the Chairman and Group Company Secretary prior to undertaking a transaction;
- the Chairman must notify the Board or the next most senior director, prior to undertaking a transaction; and
- senior management must notify the Managing Director and Group Company Secretary prior to undertaking a transaction.

ASX Listing Rule 3.19A requires a listed company to advise ASX of a change in a notifiable interest of a director no more than five business days after the change occurs. A director of Peet is required to complete a standard memorandum and pass it on to the Group Company Secretary when they either buy or sell securities in Peet.

The standard memorandum includes confirmation as to whether or not the trade occurred outside the specified 'windows' where prior clearance was required, whether that clearance was granted, the date that clearance was granted, and for what period.

Members of Senior Management are required to complete a standard memorandum if they seek approval to trade in Peet's securities outside the approved trading windows.

Short-term dealing

Employees may not deal in Peet's securities on a 'short-swing' basis, except in circumstances of special hardship, with the Managing Director's approval. That is, employees may not buy and then sell securities within a three month period. In addition, employees may not enter into any other short-term dealings (for example, forward contracts) except with the approval of the Managing Director.

Hedging of unvested securities

The Company's Guidelines for Dealing in Securities prohibit the entering into of schemes by directors and employees to protect the value of unvested entitlements under any equity-based remuneration scheme.

Continuous disclosure policies and shareholder communication

The Company places a high priority on communication with shareholders and is aware of the obligations it has under the *Corporations Act 2001* and the ASX Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.

The Company has adopted policies, which establish procedures to ensure that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information.

The Group Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX.

Information is communicated to shareholders as follows:

- The Annual and Half-yearly Financial Reports are lodged with the ASX, with the Annual Report made available for distribution to shareholders;
- Announcements of annual and interim results, broker/analyst presentations and other price sensitive information are made to the ASX; and
- Addresses made by the Chairman and Managing Director to the Annual General Meeting (AGM).

Shareholders are entitled to attend the AGM and receive a notice of such meeting together with an explanatory memorandum of proposed resolutions (as appropriate). If shareholders cannot attend the AGM they are entitled to lodge a proxy in accordance with the *Corporations Act 2001* and Peet's Constitution.

A transcript of the addresses made by the Chairman and the Managing Director to the AGM is released to the ASX prior to the commencement of the AGM.

Additionally, all ASX announcements and other media releases are accessible via the Company's website.

Board of Directors

Tony Lennon

FAICD
Non-executive Chairman

Tony Lennon was Executive Chairman before the Company was listed on the Australian Securities Exchange in 2004.

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, FCSA,
FAICD Managing Director and
Chief Executive Officer

Brendan Gore has held senior corporate, commercial and operational roles for more than 20 years and brings to the positions of Managing Director and Chief Executive Officer wide-ranging expertise in the business, resources and property sectors.

Mr Gore is a qualified accountant and Fellow of the Australian Institute of Company Directors, CPA Australia and the Chartered Secretaries Australia.

Before joining Peet, Mr Gore held the dual role of Chief Financial Officer and Company Secretary at Mermaid Marine Australia Limited - now Australia's largest marine-based services provider to the offshore oil and gas industry.

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.

In January 2007 he was appointed inaugural Chief Operating Officer, taking on responsibility for developing Peet's integrated operational strategy and managing the day-to-day safety and performance of its business divisions.

Assuming the position of Managing Director and Chief Executive Officer later that same year, Mr Gore maintains Peet's ongoing commitment to a long-term, strategic and disciplined approach to growth and expansion.

Stephen Higgs

BEc (Syd)
Independent Non-executive Director

Mr Higgs has held a series of board roles including listed Australian companies such as Rural Press Limited, Primary Healthcare Limited and Freedom Nutritional Products and other leading roles including Chairman Orlando Wines, and director of Leigh Mordon, IPAC Securities and Ausoft Limited. In addition Mr Higgs worked for 20 years with UBS and its predecessors to cement a leadership position in corporate finance advice and the private equity market.

He is also Chairman of the Juvenile Diabetes Research Foundation Australia, a role he has undertaken since 2002.

Mr Higgs' commitment to the community has extended to include positions working as a Councillor at St Andrew's College at Sydney University and Trustee of Redkite (formerly the Malcolm Sargent Cancer Fund for Children in Australia).

Stephen Higgs joined the Board of Peet Limited in June 2004.

Graeme Sinclair

BComm, CA, ACIS, ACSA, FAICD
Independent Non-executive
Director

A qualified Chartered Accountant with more than 35 years accumulated experience in investment and wealth management services, Graeme Sinclair joined the Peet Limited Board in June 2004.

Mr Sinclair gained his accounting qualifications with an international accounting firm in 1971, before transferring to the firm's London office.

Two years later he returned to Australia and joined the Myer Family Group, an actively-managed long-term investment group. The Myer Family Group holds Australian and international equity portfolios, as well as private equity and property investments.

After becoming the Group's Chief Executive Officer and Managing Director of the Myer Family Company Pty Ltd, Mr Sinclair served in those roles for 13 years before retiring from those positions in mid 2009.

Mr Sinclair is also a Non-executive Director of Mirrabooka Investments Limited, a listed investment company specialising in investing in small and medium-sized companies.

Mr Sinclair has a number of philanthropic activities, including being a Trustee of the William Buckland Foundation, one of Australia's largest philanthropic foundations, and a Director of Habitat for Humanity Australia (Victoria) Inc, having previously served as Secretary of both The Myer Foundation and the Sidney Myer Fund.

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 over a decade ago to establish Peet's operations in Australia's eastern states and oversaw significant expansion since that time.

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 since joining Peet have included project management, broadacre acquisitions, marketing and financing and a six-year stint 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.

He is a board member of the Urban Development Institute of Australia (Victoria).

Trevor Allen

BCom (Hons), CA, FF, MAICD
Independent Non-executive Director

Trevor Allen joined Peet in April 2012 after his retirement from KPMG at the end of 2011.

Mr Allen was a partner of KPMG and the National Head of its Mergers and Acquisitions business. He has thirty years experience in the corporate advisory sector including direct involvement in a number of major transactions and market developments over that time through senior positions at SBC Warburg (now part of UBS), Baring Brothers and KPMG.

Mr Allen recently joined ICS Advisory as a non-executive director and was previously a board advisor to Penrice Soda Holdings Limited.

He is also a director and honorary treasurer of the Juvenile Diabetes Research Foundation where he also chairs its Finance, Audit and Risk Committee.

Mr Allen is a member of FINSIA's Corporate Finance Advisory Group.

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 2012 ('Peet 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:

Non-executive Chairman

AW Lennon

Executive Directors

B D Gore

A J Lennon (*resigned as an executive director and transitioned into a non-executive director role 27 August 2012*)

Independent Non-executive Directors

S F Higgs

GW Sinclair

T J Allen (*appointed 5 April 2012*)

2. Principal Activities

The principal activities of the Consolidated Entity during the course of the financial year were land development, funds management and land syndication. There was no significant change in the nature of the activities during the year.

3. Review of Operations and Consolidated Results

GROUP FINANCIAL SUMMARY	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Revenue	146,874	188,725
Expenses	(102,998)	(109,173)
	43,876	79,552
Write-down in the carrying value of inventories and development costs	(21,248)	(31,251)
EBIT	22,628	48,301
Finance costs (includes interest and finance costs expensed through cost of sales)	(16,933)	(15,550)
Profit before income tax	5,695	32,751
Income tax expense	(434)	(10,545)
Profit after tax for the year	5,261	22,206
Profit is attributable to:		
Owners of Peet Limited	5,437	22,147
Non-controlling interests	(176)	59
	5,261	22,206

A review of operations for the financial year and the results of those operations are set out in the Operational Review.

4. Earnings Per Share

	CONSOLIDATED	
	2012	2011
	CENTS	CENTS
Basic earnings per share	1.7	7.3
Diluted earnings per share	1.7	6.8

Basic earnings per share is calculated after income tax expense based on the weighted average number of shares on issue for the year to 30 June 2012.

5. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year, other than those changes identified in the financial statements for the year ended 30 June 2012.

6. Matters Subsequent to the End of the Financial Year

Subsequent to year end the Group has renegotiated the terms of its debt facilities with its Lenders. The renegotiated terms more closely align with the Group's stated strategy to strengthen its balance sheet and reduce debt.

The Group was compliant with all banking covenants under the existing debt facilities, including having maintained significant headroom on its gearing covenants.

The Group has agreed the following covenant package:

- No Interest Cover Ratio ("ICR") covenant to apply until 30 September 2013 after which the ICR covenant becomes 1.25 times until 31 March 2014 and 2.25 times thereafter.
- Gearing covenant to step down from 52.5% (including Peet unsecured convertible notes) currently, to 40% by 1 January 2014 in stages.
- Debt facility limit (excluding Peet unsecured convertible notes) reduced to \$200 million by 30 June 2014.

Consistent with our strategy to reduce gearing and our intention to apply the proceeds of contracted sales of non-core assets to retire debt, since lodging its Appendix 4E and Preliminary Consolidated Financial Statements in August, the directors have reclassified \$38 million of drawn debt from non-current to current borrowings.

Except for the renegotiated debt facility discussed above, 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. Likely Developments and Expected Results of Operations

No further information as to the likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years has been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Consolidated Entity.

8. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED/ UNFRANKED
Declared and paid during the year				
Final 2011 ordinary	4.50	14,312	18 October 2011	Franked

Dividends declared or paid during the year were fully franked at the tax rate of 30%.

No dividends have been declared in respect of the year ended 30 June 2012.

9. Environmental Regulation

The Consolidated Entity is subject to environmental regulation by way of the *Environment Protection and Biodiversity Conservation Act 1999* in respect of its land subdivision activities nationally; the *Environmental Protection Act 1986* (as amended) and the *Contaminated Sites Act 2003* in respect of its Western Australian land subdivision activities; the *Environmental Protection Act 1970* (as amended) in respect of its Victorian land subdivision activities; the *Environmental Protection Act 1994* (including Regulations 1998) and the *Sustainable Planning Act 2009* in respect to its Queensland land subdivision activities; and the *Environmental Planning and Assessment Act 1979* in respect of its New South Wales land subdivision activities.

The Peet Group is not aware of any breaches of environmental regulations in respect of its activities. However, 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 Consolidated Entity is also subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*, which requires the Group to report its annual greenhouse gas (GHG) emissions and energy use if it emits greenhouse gases, produces energy, or consumes energy at or above specified GHG emission thresholds per financial year starting 1 July 2008.

The Group is not required to register and report to the Department of Climate Change as the Group's GHG emissions or energy consumption are below the reporting thresholds for the 2011 and 2012 reporting periods.

10. 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

The Group Company Secretary is Mr Dom Scafetta, who was appointed to the position on 19 January 2005. He is a qualified Chartered Accountant and joined the Company in 1998. He is responsible for the corporate compliance and secretarial responsibilities of the Peet Group and all property syndicates. Prior to his appointment to the Company, he worked with accounting firm Coopers & Lybrand (now PricewaterhouseCoopers).

11. Interests in the Shares, Options and Performance Rights of the Company

DIRECTOR	INTEREST IN ORDINARY SHARES AT 30 JUNE 2012	INTEREST IN CONVERTIBLE NOTES AT 30 JUNE 2012	INTEREST IN OPTIONS & PERFORMANCE RIGHTS AT 30 JUNE 2012	INTEREST IN ORDINARY SHARES AT THE DATE OF THIS REPORT	INTEREST IN CONVERTIBLE NOTES AT THE DATE OF THIS REPORT	INTEREST IN OPTIONS & PERFORMANCE RIGHTS AT THE DATE OF THIS REPORT
A W Lennon	82,642,417	600	-	82,642,417	600	-
S F Higgs	400,000	-	-	400,000	-	-
G W Sinclair	79,000	-	-	79,000	-	-
B D Gore	55,000	-	5,452,666	489,561	-	3,163,545
A J Lennon	1,046,518	-	809,718	1,105,567	-	256,620
T J Allen ¹	70,000	630	-	70,000	1,130	-

1. Appointed 5 April 2012

12. 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	
	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended
A W Lennon	12	12	5	5	5	5
S F Higgs	12	12	6	6	6	6
G W Sinclair	12	11	6	6	6	6
B D Gore	12	12	-	-	-	-
A J Lennon	12	12	-	-	-	-
T J Allen ¹	3	3	1	1	1	1

1. Appointed 5 April 2012

13. 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, T J Allen will retire and put himself up for election by members and both A W Lennon and G W Sinclair will retire by rotation and offer themselves for re-election. The balance of your Board of Directors recommends the election of T J Allen and the re-election of A W Lennon and G W Sinclair.

14. Remuneration Report

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information

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

Our current incentive scheme structures are designed in the context of the most challenging financial and property market seen in decades. In such challenging markets achieving budget and meeting bankers' and other stakeholders' immediate needs is difficult. Yet the challenge in competing against other businesses for the best managers has never been greater. Peet believes it has some of the most talented executives whose commitment and flexibility will enable Peet to emerge from the current market stronger.

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 and creation of value for 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, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation through the following features:

Alignment to shareholders' interests:

- has earnings as a core component of plan design;
- focuses the executive on key financial and non-financial drivers of value; and
- attracts and retains high-calibre executives.

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 (STI) and long-term incentives (LTI). 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.

14. Remuneration Report (continued)

Principles used to determine the nature and amount of remuneration (continued)

Non-executive Directors' fees

Fees and payments to Non-executive Directors reflect the demands, which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board considers, as appropriate, the advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive Directors do not receive share options or performance rights. Subject to the rules of the relevant share plan, Non-executive Directors may opt each year to receive a percentage of their remuneration in Peet Limited shares, which would be acquired on market. Shareholders approved this arrangement in June 2004.

The current base remuneration was last set with effect from 1 July 2006. The Chairman's and Non-executive Directors' remuneration is inclusive of committee fees and for their membership on any subsidiary Boards. From 1 July 2012 the fees payable to the Chairman of the Remuneration Committee and the Chairman of the Audit and Risk Management Committee have been increased by \$15,000 each. Non-executive Directors' fees, including the Chairman's, are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$600,000.

The Directors will be proposing a resolution at the 2012 AGM to increase the current aggregate Non-executive Directors' fees pool to \$900,000.

The Non-executive Directors do not receive any form of retirement allowance.

Executive Director and other key management personnel pay

The Company's pay and reward framework for an executive director and other (non-director) key management personnel (together, the KMPs) has four components:

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in the Peet Limited Employee Share Option Plan (PESOP) and the Peet Limited Performance Rights Plan (PPRP); and
- other remuneration such as superannuation.

The combination of these comprises the total remuneration for the KMPs.

Base pay

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

KMPs 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.

The Company notes that despite being contractually entitled to an increase in his fixed remuneration of at least the rate of CPI, Mr B D Gore (Managing Director and Chief Executive Officer) has agreed to maintain his base pay and superannuation for the year ending 30 June 2013 at the same level as for the year ended 30 June 2012.

14. Remuneration Report (continued)

Principles used to determine the nature and amount of remuneration (continued)

Short-term Incentives (STI)

KMPs have a target STI opportunity depending on the accountabilities of the role and impact on the Group's performance. The maximum target bonus opportunity for the KMPs for the years ended 30 June 2011 and 2012 ranged between 100% (for the Managing Director and Chief Executive Officer) and 20% (for the Group Company Secretary) of the relevant KMP's total base salary and superannuation. 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 balance of KMPs).

For the years ended 30 June 2012 and 2011, the KPIs linked to STI plans were based on Group, individual business and personal objectives. The KPIs required performance in achieving specific earnings and operational targets, taking into account prevailing market conditions.

No STIs were paid to, or accrued for, KMPs in respect of the year ended 30 June 2012 with the entitlement to such forgone.

Voting and comments made at the company's 2011 Annual General Meeting

The instructions given to validly appointed proxies in respect of the resolution pertaining to the Company's 2011 Remuneration Report were as follows:

For	Against	Abstain	Proxy's discretion
132,203,254	24,353,145	174,214	334,773

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

Details of remuneration

Details of the remuneration of each Director and the other key management personnel of the Group, as defined in AASB 124 Related Party Disclosures, are set out in the tables following.

Other key management personnel

The key management personnel of the Company and the Group include the Executive Directors and the following 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
A J Lennon	National Business Development Director (transitioned to a non-executive director 27 August 2012)
D J Cooper	Chief Operating Officer
P J Dumas	Head of Funds Management
D Scafetta	Group Company Secretary
M J Dolin	Chief Financial Officer (appointed 6 July 2011 and resigned 28 February 2012)
L Troncone	Acting Chief Financial Officer (contract commenced 29 February 2012 and contract completed 20 July 2012)
N Barker	Acting Chief Financial Officer (contract commenced 4 September 2012)

14. Remuneration Report (continued)

Details of remuneration (continued)

The remuneration of the Directors and other key management personnel, set out on page 43 of this report, is calculated in accordance with statutory obligations and Accounting Standards, and is theoretical due to the complex way equity-based incentive pay is calculated for accounting purposes. To provide more meaningful information to the shareholders, the table below sets out clearly and concisely the cash and other benefits actually received during the year ended, or receivable as at, 30 June 2012 by the Directors and other key management personnel of the Group.

		Cash salary and fees ¹	Bonus ²	Value of PRs vested ³	Other ⁴	Superannuation	Total
		\$	\$	\$	\$	\$	\$
Directors							
A W Lennon	2012	128,613	-	-	-	51,237	179,850
	2011	165,000	-	-	-	14,850	179,850
S F Higgs	2012	75,000	-	-	-	6,750	81,750
	2011	75,000	-	-	-	6,750	81,750
G W Sinclair	2012	75,000	-	-	-	6,750	81,750
	2011	75,000	-	-	-	6,750	81,750
T J Allen ⁵	2012	18,750	-	-	-	1,688	20,438
	2011	-	-	-	-	-	-
B D Gore	2012	890,000	-	316,360	10,000	20,000	1,236,360
	2011	834,801	725,000	-	6,181	15,199	1,581,181
A J Lennon	2012	371,225	-	42,988	13,000	15,775	442,988
	2011	360,226	57,750	-	13,000	26,774	457,750
W D Hemsley ⁶	2012	-	-	-	-	-	-
	2011	56,250	-	-	-	5,063	61,313
Total	2012	1,558,588	-	359,348	23,000	102,200	2,043,136
	2011	1,566,277	782,750	-	19,181	75,386	2,443,594
Other key management personnel							
D J Cooper	2012	450,390	-	93,792	-	25,225	569,407
	2011	401,687	178,000	-	47,440	15,199	642,326
P J Dumas	2012	435,000	-	90,442	-	25,000	550,442
	2011	385,000	195,000	-	-	25,000	605,000
D Scafetta	2012	264,225	-	44,663	-	15,775	324,663
	2011	224,801	60,000	-	-	15,199	300,000
M V Pisano ⁷	2012	-	-	-	-	-	-
	2011	193,194	-	-	-	8,184	201,378
M I Dolin ⁸	2012	237,952	-	-	101,324	41,169	380,445
	2011	-	-	-	-	-	-
L Troncone ⁹	2012	107,034	-	-	-	9,633	116,667
	2011	-	-	-	-	-	-
Total	2012	1,494,601	-	228,897	101,324	116,802	1,941,624
	2011	1,204,682	433,000	-	47,440	63,582	1,748,704

1. Cash salary and fees includes accrued annual leave liability paid out on retirement or resignation.

2. All cash bonuses are earned in the financial year to which they relate and are paid during the following financial year.

3. As at 30 June 2012, performance conditions in respect of FY10 Performance Rights (PRs) were partially met. Following the receipt of advice and in accordance with the PPRP, in August 2012 the Directors resolved that 50% of the FY10 PRs had vested in June 2012. The value attributed to the FY10 PRs in the table above is the 5-day VWAP of Peet shares for the period ended 21 August 2012 of \$0.728.

4. Other includes termination benefits, motor vehicle costs, car-parking and other benefits and are inclusive of related fringe benefits tax.

5. Appointed 5 April 2012.

6. Resigned 30 March 2011.

7. Resigned 23 December 2010.

8. Appointed 6 July 2011 and resigned 28 February 2012.

9. Contract commenced 29 February 2012 and contract completed 20 July 2012.

14. Remuneration Report (continued)

Details of remuneration (continued)

The table below is calculated in accordance with statutory obligations and Accounting Standards. It is theoretical due to the complex way equity-based incentive pay is calculated for accounting purposes.

		SHORT-TERM BENEFITS			POST-EMPLOYMENT	LONG-TERM BENEFITS			Total
		Cash salary and fees ¹	Bonus ²	Other ³	Superannuation	Shares/Options /Performance Rights ^{4,5}	Long service leave	Termination benefits	
					\$				
Directors									
A W Lennon	2012	128,613	-	-	51,237	-	-	-	179,850
	2011	165,000	-	-	14,850	-	-	-	179,850
S F Higgs	2012	75,000	-	-	6,750	-	-	-	81,750
	2011	75,000	-	-	6,750	-	-	-	81,750
G W Sinclair	2012	75,000	-	-	6,750	-	-	-	81,750
	2011	75,000	-	-	6,750	-	-	-	81,750
T J Allen ⁶	2012	18,750	-	-	1,688	-	-	-	20,438
	2011	-	-	-	-	-	-	-	-
B D Gore	2012	890,000	-	10,000	20,000	973,604	-	-	1,893,604
	2011	834,801	725,000	6,181	15,199	388,819	-	-	1,970,000
A J Lennon	2012	371,225	-	13,000	15,775	140,819	-	-	540,819
	2011	360,226	57,750	13,000	26,774	36,020	-	-	493,770
W D Hemsley ⁷	2012	-	-	-	-	-	-	-	-
	2011	56,250	-	-	5,063	-	-	-	61,313
Total	2012	1,558,588	-	23,000	102,200	1,114,423	-	-	2,798,211
	2011	1,566,277	782,750	19,181	75,386	424,839	-	-	2,868,433
Other key management personnel									
D J Cooper	2012	450,390	-	-	25,225	301,578	-	-	777,193
	2011	401,687	178,000	47,440	15,199	105,378	-	-	747,704
P J Dumas	2012	435,000	-	-	25,000	291,349	-	-	751,349
	2011	385,000	195,000	-	25,000	102,160	-	-	707,160
D Scafetta	2012	264,225	-	-	15,775	144,404	-	-	424,404
	2011	224,801	60,000	-	15,199	50,180	-	-	350,180
M V Pisano ⁸	2012	-	-	-	-	-	-	-	-
	2011	193,194	-	-	8,184	(250)	-	-	201,128
M I Dolin ⁹	2012	237,952	-	-	41,169	-	-	101,324	380,445
	2011	-	-	-	-	-	-	-	-
L Troncone ¹⁰	2012	107,034	-	-	9,633	-	-	-	116,667
	2011	-	-	-	-	-	-	-	-
Total	2012	1,494,601	-	-	116,802	737,331	-	101,324	2,450,058
	2011	1,204,682	433,000	47,440	63,582	257,468	-	-	2,006,172

1. Cash salary and fees includes accrued annual leave liability paid out on retirement or resignation.

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 and are inclusive of related fringe benefits tax.

4. Options and performance rights granted include the PESOP and PPRP as disclosed in note 38 to the financial statements. 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 (performance rights), 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 Directors and other key management personnel during the year.

5. Remuneration in the form of options and/or performance rights includes negative amounts as a result of changes made to vesting probability assumptions and as a result of options and/or performance rights forfeited during the year.

6. Appointed 5 April 2012.

7. Resigned 30 March 2011.

8. Resigned 23 December 2010.

9. Appointed 6 July 2011 and resigned 28 February 2012.

10. Contract commenced 29 February 2012 and contract completed 20 July 2012.

14. Remuneration Report (continued)

Details of remuneration (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are based on the table on page 43 are as follows:

	FIXED REMUNERATION		AT RISK-STI		AT RISK-LTI	
	2012	2011	2012	2011	2012 ¹	2011 ¹
Directors						
A W Lennon	100%	100%	-	-	-	-
S F Higgs	100%	100%	-	-	-	-
G W Sinclair	100%	100%	-	-	-	-
T J Allen ²	100%	-	-	-	-	-
B D Gore	49%	43%	-	37%	51%	20%
A J Lennon	74%	81%	-	12%	26%	7%
W D Hemsley ³	-	100%	-	-	-	-
Other key management personnel						
D J Cooper	61%	62%	-	24%	39%	14%
P J Dumas	61%	58%	-	28%	39%	14%
D Scafetta	66%	69%	-	17%	34%	14%
M V Pisano ⁴	-	100%	-	-	-	-
M I Dolin ⁵	100%	-	-	-	-	-
L Troncone ⁶	100%	-	-	-	-	-

1. Since LTIs are provided exclusively by way of options and/or performance rights, the percentages disclosed also reflect the value of remuneration consisting of options and/or performance rights based on the value of options and/or performance rights expensed during the year. Negative amounts indicate expenses reversed during the year as a result of changes made to vesting probability assumptions.

2. Appointed 5 April 2012.

3. Resigned 30 March 2011.

4. Resigned 23 December 2010.

5. Appointed 6 July 2011 and resigned 28 February 2012.

6. Contract commenced 29 February 2012 and contract completed 20 July 2012.

14. Remuneration Report (continued)

Service agreements

Remuneration and other terms of employment for KMPs are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses and participation, when eligible, in the PESOP and the PPRP. 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 SALARY INCLUDING SUPERANNUATION ¹	TERMINATION BENEFIT ^{2,3}
B D Gore	On-going renewed 5 August 2011	\$910,000	Refer below ⁴
A J Lennon ⁵	On-going commenced 20 July 2010	\$400,000	6 months base salary inclusive of superannuation
D J Cooper	On-going commenced 4 February 2008	\$485,000	3 months base salary inclusive of superannuation
P J Dumas	On-going commenced 4 February 2008	\$460,000	3 months base salary inclusive of superannuation
D Scafetta	On-going commenced 10 June 1998	\$280,000	3 months base salary inclusive of superannuation
M I Dolin ⁶	On-going commenced 6 July 2011	\$420,000	3 months base salary inclusive of superannuation

1. Base salaries for the year ended 30 June 2012. Base salaries 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. Refer below.

5. AJ Lennon resigned from his role as an executive director on 27 August 2012. He was paid an amount in accordance with his service agreement. Subject to shareholders' approval at the 2012 AGM he will also be paid an amount of \$192,500 in respect of past services over a career spanning more than 20 years.

6. Resigned 28 February 2012.

B D Gore, Managing Director and Chief Executive Officer

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, STI and LTI. There is no fixed termination date and the agreement is terminable on six months notice by either party. Peet 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 were disclosed to the market on 5 August 2011. A copy of the announcement can be obtained via the Company's website.

14. Remuneration Report (continued)

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. Performance rights over shares in Peet Limited are granted under the PPRP, which was approved by shareholders at the 2008 AGM. Employees of any Peet Group Company (including Executive Directors) 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 performance rights which only vest if the employees are still employed by the Group at the end of the vesting period and any performance hurdles set have been met. Participation in the plans is at the Board's discretion.

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 right 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; and
- 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.

Exercise conditions

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 granted under the PPRP carry no dividend or voting rights.

Lapse of options and/or 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 a specified anniversary date of grant of the options or performance rights, as determined by the Board.

14. Remuneration Report (continued)

Share-based compensation (continued)

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

KMP	DATE OF GRANT	PERFORMANCE PERIOD	EXPIRY	EXERCISE PRICE	VALUE PER OPTION/ PRAT GRANT DATE	VESTING CONDITIONS	BALANCE AS AT 1 JULY 11	GRANTED SINCE 1 JULY 11	EXERCISED/VESTED SINCE 1 JULY 11	LAPSED/FORFEITED SINCE 1 JULY 11	BALANCE 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	2
	18 Dec 2008	4 yrs ended 30 June 2012	18 Dec 2014	\$2.50	\$0.07	EPS growth	1,300,000	-	(1,300,000)	-	-	3
A J Lennon	18 Dec 2008	4 yrs ended 30 June 2012	18 Dec 2014	\$2.50	\$0.07	EPS growth	400,000	-	(400,000)	-	-	3
Other KMPs	18 Dec 2008	4 yrs ended 30 June 2012	18 Dec 2014	\$2.50	\$0.07	EPS growth	930,000	-	(930,000)	-	-	3
							3,830,000	-	(2,630,000)	-	1,200,000	
Performance Rights												
B D Gore	18 Dec 2008	4 yrs ended 30 June 2012	18 Dec 2014	\$0.00	\$1.08	EPS growth	120,000	-	-	(120,000)	-	3
	11 Feb 2010	3 yrs ended 30 June 2012	11 Feb 2015	\$0.00	\$2.08	NOPAT Growth	869,121	-	(434,561)	(434,560)	-	4
	24 Dec 2010	3 yrs ended 30 June 2013	24 Dec 2015	\$0.00	\$1.58 ¹	FUM Growth	826,045	-	-	-	826,045	5
	16 Jan 2012	3 yrs ended 30 June 2014	16 Jan 2017	\$0.00	\$0.81 ¹	Relative ROE	-	1,137,500	-	-	1,137,500	6
A J Lennon	18 Dec 2008	4 yrs ended 30 June 2012	18 Dec 2014	\$0.00	\$1.08	EPS growth	35,000	-	-	(35,000)	-	3
	24 Dec 2010	3 yrs ended 30 June 2012	24 Dec 2015	\$0.00	\$1.58	NOPAT Growth	118,098	-	(59,049)	(59,049)	-	4
	24 Dec 2010	3 yrs ended 30 June 2013	24 Dec 2015	\$0.00	\$1.58 ¹	FUM Growth	112,245	-	-	-	112,245	5
	16 Jan 2012	3 yrs ended 30 June 2014	16 Jan 2017	\$0.00	\$0.81 ¹	Relative ROE	-	144,375	-	-	144,375	6
Other KMPs	18 Dec 2008	4 yrs ended 30 June 2012	18 Dec 2014	\$0.00	\$1.08	EPS growth	85,000	-	-	(85,000)	-	3
	28 Jun 2010	3 yrs ended 30 June 2012	28 Jun 2015	\$0.00	\$1.86	NOPAT Growth	628,834	-	(314,418)	(314,416)	-	4
	24 Dec 2010	3 yrs ended 30 June 2013	24 Dec 2015	\$0.00	\$1.75	FUM Growth	600,583	-	-	-	600,583	5
	16 Jan 2012	3 yrs ended 30 June 2014	16 Jan 2017	\$0.00	\$0.64	Relative ROE	-	1,375,938	-	(262,500)	1,113,438	6
							3,394,926	2,657,813	(608,028)	(1,310,525)	3,934,186	
Total							7,224,926	2,657,813	(608,028)	(3,940,525)	5,134,186	

14. Remuneration Report (continued)

Share-based compensation (continued)

Note 1

Under AASB 2 Share-based payments 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 performance rights is based on 16 November 2010 and 15 November 2011, being the dates of Peet Limited's 2010 and 2011 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 B D Gore remains employed as Managing Director for a period of four years. While the service period requirement has been met, the options have not been exercised.

Note 3

These options and performance rights are convertible to ordinary shares on a 1:1 basis. The vesting condition is based on earnings per share (EPS), with a target level expressed as an average per annum growth over the four-year vesting period, with the base year being 30 June 2008. The EPS hurdle operates as follows:

PERFORMANCE LEVEL	AVERAGE FOUR-YEAR EPS GROWTH	PROPORTION OF OPTIONS AND PERFORMANCE RIGHTS THAT MAY BE ELIGIBLE TO VEST
Less than the threshold	Peet's average 4-year EPS growth is less than 5% per annum	0%
Threshold	Peet's average 4-year EPS growth is 5% per annum	50%
Threshold – maximum	Peet's average 4-year EPS growth is between 5% to 8% per annum	Pro-rata between 50% and 100%
Maximum	Peet's average 4-year EPS growth is above 8% per annum	100%

As the vesting condition for these options and performance rights was not met, the Directors resolved as at 25 September 2012 that they will not vest.

Note 4

These performance rights are convertible to ordinary shares on a 1:1 basis, with 50% subject to the Net Operating Profit after Tax (Net Profit after Tax before write-down in the carrying value of inventories) (NOPAT) growth vesting condition.

NOPAT growth is measured as the average increase in NOPAT over the three-year performance period, with the base year being 30 June 2009. The NOPAT growth hurdle operates as follows:

PERFORMANCE LEVEL	THREE-YEAR NOPAT TARGET	PROPORTION OF PERFORMANCE RIGHTS THAT MAY BE ELIGIBLE TO VEST
Less than the target	Peet's average 3-year NOPAT growth is less than 8% per annum	0%
Target	Peet's average 3-year NOPAT growth is 8% per annum	25%
Target – maximum	Peet's average 3-year NOPAT growth is between 8% to 12% per annum	Pro-rata between 25% and 100%
Maximum	Peet's average 3-year NOPAT growth is above 12% per annum	100%

The Directors resolved, as at 21 August 2012, that the NOPAT growth performance condition was not achieved and the performance rights linked to it did not vest.

14. Remuneration Report (continued)

Share-based compensation (continued)

Note 5

These performance rights are convertible to ordinary shares on a 1:1 basis, with 50% subject to the Funds under Management (FUM) growth vesting condition.

FUM growth is measured as the cumulative value of properties:

- acquired by Peet on balance sheet and subsequently sold into a Peet syndicate; or
- funded by way of a Peet syndicate; or
- for which Peet has been appointed a joint venture partner; or
- for which Peet has been appointed development manager during the performance period.

The aggregate of the FUM growth during the performance period is then compared to the FUM growth target set by the Board. Of the performance rights 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 - maximum	\$60 million to \$100 million	Pro-rata between 50% and 100%
Maximum	Greater than \$100 million	100%

The FUM Growth performance condition was met for the performance period ended 30 June 2012 and the Directors resolved, as at 21 August 2012, that the performance rights relating thereto vested.

The performance rights linked to FUM growth in respect of the performance periods ending 30 June 2013 and 2014 remain unvested.

Note 6

These performance rights are convertible to ordinary shares on a 1:1 basis, with 50% subject to the relative Return on Equity (ROE) vesting condition.

Relative ROE is measured as the average net operating profit after tax (NOPAT) over the three-year vesting period compared to the S&P/ASX 200 Industrials. The ROE hurdle operates as follows:

PERFORMANCE LEVEL	ROE RESULT COMPARED TO S&P/ASX 200 INDUSTRIALS	PROPORTION OF PERFORMANCE RIGHTS THAT MAY BE ELIGIBLE TO VEST
Less than the target	Below 50th percentile	0%
Target	Equal to 50th percentile	50%
Target – maximum	Between 50th and 70th percentile	Pro-rata between 50% and 100%
Maximum	Greater than 70th percentile	100%

The Board has the discretion to amend the calculation of ROE to take account of capital raisings, approved by the Board for the long-term benefit of the Company, but which have short-term implications on the calculation of ROE.

These performance rights remain unvested.

14. Remuneration Report (continued)

Share-based compensation (continued)

Option and performance rights holdings

The number of options and performance rights over unissued ordinary shares in the Company held during the financial year by each Director and each of the other key management personnel of the Consolidated Entity, including their personally-related entities, are set out below. When exercisable, each option and performance right is convertible into one ordinary share of Peet Limited. Further information on the options and performance rights is set out in note 38 to the financial statements.

		BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR ¹	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR ²
Directors							
A W Lennon	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
S F Higgs	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
G W Sinclair	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
T J Allen ³	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
B D Gore	2012	4,315,166	1,137,500	-	(1,854,560)	3,598,106	1,634,561
	2011	3,659,121	826,045	-	(170,000)	4,315,166	-
A J Lennon	2012	665,343	144,375	-	(494,049)	315,669	59,049
	2011	435,000	230,343	-	-	665,343	-
W D Hemsley ⁴	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
Other key management personnel							
D J Cooper	2012	937,567	454,688	-	(563,834)	828,421	128,835
	2011	692,669	244,898	-	-	937,567	-
P J Dumas	2012	847,533	431,250	-	(484,233)	794,550	124,233
	2011	608,466	239,067	-	-	847,533	-
D Scafetta	2012	459,317	227,500	-	(281,349)	405,468	61,350
	2011	342,699	116,618	-	-	459,317	-
M V Pisano ⁵	2012	-	-	-	-	-	-
	2011	447,669	-	-	(447,699)	-	-
M I Dolin ⁶	2012	-	262,500	-	(262,500)	-	-
	2011	-	-	-	-	-	-
L Troncione ⁷	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-

1. Includes options and performance rights for which performance conditions were not met for the performance period ended 30 June 2012.

2. Includes performance rights for which performance conditions were met for the performance period ended 30 June 2012 and confirmed by Directors after balance date.

3. Appointed 5 April 2012.

4. Resigned 30 March 2011.

5. Resigned 23 December 2010.

6. Appointed 6 July 2011 and resigned 28 February 2012.

7. Contract commenced 29 February 2012 and contract completed 20 July 2012.

During the financial year, nil options and/or performance rights (2011: nil) were exercised by Directors or other key management personnel.

14. Remuneration Report (continued)

Additional information

Performance of Peet Limited

The overall level of executive compensation takes into account the performance of the Group over the past year. Comparison to the previous five years' performance is tabulated below:

		2008	2009	2010	2011	2012
Net profit after tax (NPAT)	\$'000	47,912	12,019	42,111	22,147	5,437
NPAT Growth	Growth%	5.3%	(74.9%)	250.4%	(47.4%)	(75.5%)
Net operating profit after tax (NOPAT)	\$'000	49,267	31,177	42,803	44,023	20,310
NOPAT Growth	Growth%	7.7%	(36.7%)	37.3%	2.8%	(53.9%)
Basic EPS	cents per share	21.6	5.1	14.1	7.3	1.7
Basic EPS Growth	Growth%	0.9%	(76.4%)	176.5%	(48.2%)	(76.7%)
Operating EPS	cents per share	22.2	13.2	14.3	14.6	6.3
Operating EPS Growth	Growth%	3.3%	(40.5%)	8.3%	2.1%	(56.8%)
Dividends paid	cents per share	19.8	7.0	8.5	8.5	0.0
Dividend paid Growth	Growth%	1.3%	(64.6%)	21.4%	0.0%	(100%)

Details of remuneration: cash bonuses, options and performance rights

For each cash bonus, grant of options and/or performance rights included in the tables within the remuneration report, the percentage of the available bonus or grant that was paid, or that vested in the financial year, 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 performance rights will vest if the conditions are not satisfied, hence the minimum value of the option and performance rights yet to vest is nil. The maximum value of the options and performance rights yet to vest has been determined as the amount of the grant date fair value of the options and performance rights that is yet to be expensed.

	CASH BONUS		OPTIONS & PERFORMANCE RIGHTS				
	PAID/ PAYABLE %	FORFEITED/ DEFERRED %	FINANCIAL YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST \$
Directors							
A W Lennon	-	-	-	-	-	-	-
S F Higgs	-	-	-	-	-	-	-
G W Sinclair	-	-	-	-	-	-	-
T J Allen ¹	-	-	-	-	-	-	-
B D Gore	0%	100%	2012	-	-	2015	785,802
			2011	-	-	2014	878,199
			2010	50%	50%	2013	-
			2009	-	-	2013	-
			2008	-	-	2012	-
A J Lennon	0%	100%	2012	-	-	2015	99,737
			2011	26%	26%	2014	110,965
			2009	-	-	2013	-
W D Hemsley ²	-	-	-	-	-	-	-

14. Remuneration Report (continued)

Additional information (continued)

Details of remuneration: cash bonuses, options and performance rights (continued)

	CASH BONUS		OPTIONS & PERFORMANCE RIGHTS				
	PAID/ PAYABLE %	FORFEITED/ DEFERRED %	FINANCIAL YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST \$
Other key management personnel							
D J Cooper	0%	100%	2012	-	-	2015	257,299
			2011	-	-	2014	292,111
			2010	50%	50%	2013	-
			2009	-	-	2013	-
P J Dumas	0%	100%	2012	-	-	2015	244,037
			2011	-	-	2014	285,156
			2010	50%	50%	2013	-
			2009	-	-	2013	-
D Scafetta	0%	100%	2012	-	-	2015	128,738
			2011	-	-	2014	139,100
			2010	50%	50%	2013	-
			2009	-	-	2013	-
M V Pisano ³	-	-	2010	-	-	2013	-
			2009	-	-	2013	-
M I Dolin ⁴	-	-	2012	-	100%	2015	-
L Troncone ⁵	0%	100%	-	-	-	-	-

1. Appointed 5 April 2012.
2. Resigned 30 March 2011.
3. Resigned 23 December 2010.
4. Appointed 6 July 2011 and resigned 28 February 2012.
5. Contract commenced 29 February 2012 and contract completed 20 July 2012.

Further details relating to options and/or performance rights, either granted, exercised or lapsed during the year, are set out below. The amounts below are calculated in accordance with accounting standards and do not represent what was actually received by way of cash or shares in the Company. The KMPs did not exercise any options or performance rights over shares in the Company or received any shares in the Company during the year. However, please refer to previous pages of the Remuneration Report for commentary on vesting conditions met during the performance period ended 30 June 2012.

	REMUNERATION CONSISTING OF OPTIONS & PERFORMANCE RIGHTS ¹	VALUE AT GRANT DATE ² \$	VALUE AT EXERCISE DATE ³ \$	VALUE AT LAPSE DATE ⁴ \$
Executive Directors				
B D Gore	51%	921,944	-	-
A J Lennon ⁵	26%	117,016	-	-
Other key management personnel				
D J Cooper	39%	290,273	-	-
P J Dumas	39%	275,310	-	-
D Scafetta	34%	145,236	-	-
M V Pisano ⁶	-	-	-	-
M I Dolin ⁷	0%	167,580	-	(167,580)
L Troncone ⁸	-	-	-	-

1. The percentage of the value of remuneration consisting of options and performance rights, based on the value of options and performance rights expensed during the current year.
2. The value at grant date calculated in accordance with AASB 2 Share-based payment of options and/or performance rights granted during the year as part of remuneration.
3. The value at exercise date of options and/or performance rights that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options and/or performance rights at that date.
4. The value at lapse date of options and/or performance rights that were granted as part of remuneration and that lapsed during the year.
5. AJ Lennon resigned from his executive role and took up a role as a non-executive director on 27 August 2012.
6. Resigned 23 December 2010.
7. Appointed 6 July 2011 and resigned 28 February 2012.
8. Contract commenced 29 February 2012 and contract completed 20 July 2012.

14. Remuneration Report (continued)

Additional information (continued)

Remuneration Consultants

During the year ended 30 June 2012 Peet engaged PricewaterhouseCoopers to provide remuneration services in relation to the remuneration arrangements for directors and other KMP's. However, no remuneration recommendations (as defined in the Corporations Act 2001) were made.

Loans to Directors and other key management personnel

There were no loans made to any Directors or any of the other key management personnel of the Group, or their personally-related entities, during the financial year.

15. Insurance of Officers and Auditors

During the financial year, the Company paid a premium in respect of Directors' and Officers' liability 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.

The Company has not during, or since the beginning of the financial year, in respect of any person who is or has been an auditor of the Company, paid, or agreed to pay, a premium in respect of a contract, that insures against any liability, including liability for costs or expenses to defend legal proceedings.

16. 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 Consolidated Entity 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, as set out below, 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*.

During the year the following fees were paid or payable for services provided by the auditor of the Consolidated Entity, its related practices and non-related audit firms:

	CONSOLIDATED	
	2012	2011
	\$	\$
Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001		
PricewaterhouseCoopers Australian firm	267,921	234,210
Non-PricewaterhouseCoopers audit firms	14,667	14,111
Total remuneration for audit services	282,588	248,321
Other assurance services		
PricewaterhouseCoopers Australian firm	20,000	112,073
Non-PricewaterhouseCoopers audit firms	4,950	56,240
Total remuneration for other assurance services	24,950	168,313
Total remuneration for audit and other assurance services	307,538	416,634

16. Non-Audit Services (continued)

	CONSOLIDATED	
	2012	2011
	\$	\$
Other services		
PricewaterhouseCoopers Australian firm	71,025	-
Total other services	71,025	-
Taxation services		
Tax compliance services, including review of Company income tax returns		
PricewaterhouseCoopers Australian firm	181,749	72,000
Non-PricewaterhouseCoopers tax firms	10,417	3,050
Total remuneration for taxation services	192,166	75,050

17. Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

18. 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 55.

19. Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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



Brendan Gore

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Perth, Western Australia

28 September 2012



Auditor's Independence Declaration

As lead auditor for the audit of Peet Limited for the year ended 30 June 2012, I declare that 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 period.

A handwritten signature in black ink, appearing to read 'David J. Smith', with a stylized flourish at the end.

David J Smith
Partner
PricewaterhouseCoopers

Perth
28 September 2012

PricewaterhouseCoopers, ABN 52 780 433 757
QV1, 250 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Report

CONTENTS

Income Statements	57
Statements of comprehensive income	58
Statements of financial position.....	59
Statements of changes in equity.....	60
Statements of cash flows	62
Notes to financial statements	63
Directors' declaration	133
Independent auditor's report to the members	134
Securityholder information.....	136
Corporate directory	139

This financial report covers both the separate financial statements of Peet Limited as an individual entity and the consolidated financial statements for the Consolidated Entity consisting of Peet Limited and its subsidiaries. The financial report is presented in 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. A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Operational Review on pages 13 to 22, which is not part of the financial report. The financial report was authorised for issue by

the Directors on 28 September 2012. 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

Income Statements

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue	5	146,874	188,725	26,524	41,816
Other income	7(a)	-	-	9,051	4,974
Land and development cost expense	6	(67,805)	(74,737)	287	(41)
Employee benefits expense		(16,448)	(18,384)	(15,280)	(17,454)
Depreciation and amortisation	6	(2,689)	(1,625)	(1,555)	(792)
Project management, selling and other operating costs		(12,763)	(11,795)	(2,617)	(3,559)
Office costs		(5,011)	(4,346)	(4,040)	(3,570)
Other expenses		(6,924)	(6,781)	(5,591)	(5,299)
Finance costs	6	(8,302)	(5,282)	(177)	(195)
Share of net profit/(loss) of associates accounted for using the equity method	34(b)	11	(1,773)	-	-
Write-down in carrying value of inventories	6	(21,248)	(31,251)	-	(468)
Profit before income tax		5,695	32,751	6,602	15,412
Income tax expense	7	(434)	(10,545)	429	(2,833)
Profit for the year		5,261	22,206	7,031	12,579
Attributable to :					
Owners of Peet Limited		5,437	22,147	7,031	12,579
Non-controlling interest		(176)	59	-	-
		5,261	22,206	7,031	12,579

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

		Cents	Cents
Basic earnings per share	37(a)	1.7	7.3
Diluted earnings per share	37(a)	1.7	6.8

The above income statement should be read in conjunction with the accompanying notes

Statements of Comprehensive Income

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Profit for year	5,261	22,206	7,031	12,579
Other comprehensive income				
Changes in the fair value of cash flow hedges (including associates)	(9,119)	1,083	131	233
Share of other comprehensive income of associates	(117)	(58)	-	-
Income tax relating to components of other comprehensive income	2,771	(307)	(39)	(70)
Other comprehensive income for the year, net of tax	(6,465)	718	92	163
Total comprehensive income for the year	(1,204)	22,924	7,123	12,742
Total comprehensive income for the year is attributable to:				
Owners of Peet Limited	(946)	22,927	7,123	12,742
Non-controlling interest	(258)	(3)	-	-
	(1,204)	22,924	7,123	12,742

The above statement of financial position should be read in conjunction with the accompanying notes

Statements of Financial Position

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets					
Cash and cash equivalents	8	22,613	57,201	7,860	16,961
Receivables	9	43,966	67,752	32,628	53,046
Inventories	10	105,821	120,444	-	-
Derivative financial instruments	11	-	263	-	-
Assets classified as held for sale	12	74,890	69,509	-	-
Total current assets		247,290	315,169	40,488	70,007
Non-current assets					
Receivables	9	39,449	14,578	12,140	7,089
Inventories	10	322,306	300,979	11,378	9,828
Investments accounted for using the equity method	13	91,797	36,124	-	-
Available-for-sale financial assets	14	462	462	462	462
Derivative financial instruments	11	-	851	-	-
Investments in Subsidiaries and Associates	16	-	-	243,232	224,677
Property, plant & equipment	17	10,608	10,575	2,798	3,525
Intangible assets	18	2,276	876	1,087	876
Total non-current assets		466,898	364,445	271,097	246,457
Total assets		714,188	679,614	311,585	316,464
Current liabilities					
Payables	19	38,116	30,371	9,492	6,528
Land vendor liabilities	20	12,109	20,573	-	-
Borrowings	21	38,618	1,080	860	1,080
Current tax liabilities		-	3,171	-	3,171
Provisions	22	2,606	1,969	494	330
Liabilities directly associated with assets classified as held for sale	12	23,894	29,439	-	-
Total current liabilities		115,343	86,603	10,846	11,109
Non-current liabilities					
Payables	19	-	-	-	2
Land vendor liabilities	20	20,244	25,793	-	-
Borrowings	21	277,443	273,096	55,677	54,456
Derivative financial instruments	11	7,435	-	-	-
Deferred tax liabilities	23	28,343	22,132	3,623	6,542
Provisions	22	44	153	27	149
Total non-current liabilities		333,509	321,174	59,327	61,149
Total liabilities		448,852	407,777	70,173	72,258
Net assets		265,336	271,837	241,412	244,206
Equity					
Contributed equity	24	333,509	201,291	203,713	201,291
Reserves	25	1,127	5,020	6,272	4,207
Retained profits	25	43,143	52,018	31,427	38,708
Capital and reserves attributable to owners of Peet Limited		247,983	258,329	241,412	244,206
Non-controlling interest		17,353	13,508	-	-
Total equity		265,336	271,837	241,412	244,206

The above statement of financial position should be read in conjunction with the accompanying notes

Statements of Changes in Equity

	Notes	CONSOLIDATED			Total \$'000	Non- controlling interest \$'000	Total Equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000			
Balance at 1 July 2010		176,025	1,367	55,520	232,912	-	232,912
Profit for the year		-	-	22,147	22,147	59	22,206
Other comprehensive income		-	780	-	780	(62)	718
Total comprehensive income for the year		-	780	22,147	22,927	(3)	22,924
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		25,266	-	-	25,266	-	25,266
Value of conversion rights on convertible notes, net of transaction costs and tax	25	-	1,934	-	1,934	-	1,934
Non-controlling interest on part disposal of subsidiary	12(c)	-	349	-	349	13,511	13,860
Transactions with non- controlling entities		-	(153)	-	(153)	-	(153)
Dividends provided for or paid	26 (a)	-	-	(25,649)	(25,649)	-	(25,649)
Employee equity benefits	25	-	743	-	743	-	743
		25,266	2,873	(25,649)	2,490	13,511	16,001
Balance at 30 June 2011		201,291	5,020	52,018	258,329	13,508	271,837

	Notes	CONSOLIDATED			Total \$'000	Non- controlling interest \$'000	Total Equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000			
Balance at 1 July 2011		201,291	5,020	52,018	258,329	13,508	271,837
Profit for the year		-	-	5,437	5,437	(176)	5,261
Other comprehensive income		-	(6,383)	-	(6,383)	(82)	(6,465)
Total comprehensive income for the year		-	(6,383)	5,437	(946)	(258)	(1,204)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		2,422	-	-	2,422	-	2,422
Value of conversion rights on convertible notes, net of transaction costs and tax	25	-	(1)	-	(1)	-	(1)
Non-controlling interest on part disposal of subsidiary	12(c)	-	517	-	517	4,103	4,620
Dividends provided for or paid	26(a)	-	-	(14,312)	(14,312)	-	(14,312)
Employee equity benefits	25	-	1,974	-	1,974	-	1,974
		2,422	2,490	(14,312)	(9,400)	4,103	(5,297)
Balance at 30 June 2012		203,713	1,127	43,143	247,983	17,353	265,336

The above statement of financial position should be read in conjunction with the accompanying notes

Statements of Changes in Equity (continued)

	Notes	PARENT ENTITY			Non-controlling interest \$'000	Total Equity \$'000	
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000			Total \$'000
Balance at 1 July 2010		176,025	1,367	51,778	229,170	-	229,170
Profit for the year		-	-	12,579	12,579	-	12,579
Other comprehensive income		-	163	-	163	-	163
Total comprehensive income for the year		-	163	12,579	12,742	-	12,742
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		25,266	-	-	25,266	-	25,266
Value of conversion rights on convertible notes, net of transaction costs and tax	25	-	1,934	-	1,934	-	1,934
Dividends provided for or paid	26(a)	-	-	(25,649)	(25,649)	-	(25,649)
Employee equity benefits	25	-	743	-	743	-	743
		25,266	2,677	(25,649)	2,294	-	2,294
Balance at 30 June 2011		201,291	4,207	38,708	244,206	-	244,206

	Notes	PARENT ENTITY			Non-controlling interest \$'000	Total Equity \$'000	
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000			Total \$'000
Balance at 1 July 2011		201,291	4,207	38,708	244,206	-	244,206
Profit for the year	-	-	-	7,031	7,031	-	7,031
Other comprehensive income		-	92	-	92	-	92
Total comprehensive income for the year		-	92	7,031	7,123	-	7,123
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		2,422	-	-	2,422	-	2,422
Value of conversion rights on convertible notes, net of transaction costs and tax	25	-	(1)	-	(1)	-	(1)
Dividends provided for or paid	26(a)	-	-	(14,312)	(14,312)	-	(14,312)
Employee equity benefits	25	-	1,974	-	1,974	-	1,974
		2,422	1,973	(14,312)	(9,917)	-	(9,917)
Balance at 30 June 2012		203,713	6,272	31,427	241,412	-	241,412

The above statement of financial position should be read in conjunction with the accompanying notes

Statements of Cash Flows

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		166,516	197,139	41,036	38,159
Payments to suppliers and employees (inclusive of goods and services tax)		(117,561)	(126,910)	(31,896)	(35,356)
Payments for purchase of land		(24,464)	(98,588)	-	-
Interest and other finance costs paid		(30,073)	(22,317)	(5,842)	1,022
Income tax paid		(3,047)	(11,503)	(3,047)	(11,503)
Reimbursements received from tax consolidated entities		-	-	18,570	15,002
Net cash (outflow)/inflow from operating activities	33(b)	(8,629)	(62,179)	18,821	7,324
Cash flows from investing activities					
Payments for property, plant and equipment		(2,755)	(4,184)	(751)	(1,053)
Payment for intangibles		(1,525)	(881)	(288)	(881)
Payments for investment in associates		(56,001)	(5,336)	(3,512)	(30)
Payments for investments in available-for-sale financial assets		-	(205)	-	(205)
Loans to related parties		(12,885)	(31,927)	(26,305)	(128,315)
Repayment of loans by related parties		9,421	21,712	9,665	74,600
Dividends received		344	235	344	235
Interest received		4,796	4,469	1,959	2,104
Net cash outflow from investing activities		(58,605)	(16,117)	(18,888)	(53,545)
Cash flows from financing activities					
Dividends paid to company's shareholders		(11,881)	(19,911)	(11,881)	(19,911)
Repayment of borrowings		(34,959)	(38,068)	(1,079)	(1,043)
Proceeds from borrowings		70,417	76,346	-	-
Proceeds from capital returns		11	38	11	38
Proceeds from issue of equity securities (net of equity raising costs)		4,178	15,808	4,178	15,808
Non-controlling interest share of Transaction costs of share issue		-	(892)	-	(674)
Proceeds from Convertible Note Issue (Net of debt raising Costs)		(263)	47,947	(263)	47,947
Transactions with non-controlling interests		4,620	13,860	-	-
Net cash inflow/(outflow) from financing activities		32,123	95,128	(9,034)	42,165
Net (decrease) increase in cash and cash equivalents		(35,111)	16,832	(9,101)	(4,056)
Cash and cash equivalents at the beginning of the financial year		57,906	41,074	16,961	21,017
Cash and cash equivalents at end of year	33(a)	22,795	57,906	7,860	16,961
Financing arrangements	21(c)				

The above statement of financial position should be read in conjunction with the accompanying notes

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for Peet Limited as an individual entity and the Consolidated Entity consisting of Peet Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Peet Limited Group is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements of the Peet Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011:

- AASB 2010-3 and AABS 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for derivative instruments and available for sale financial assets which have been measured at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Comparatives

The comparative revenues and expenses in the income statement, assets and liabilities in the statement of financial position and cash flow movements in the statement of cash flows have been reclassified where appropriate to enhance comparability and understanding of the financial statements. There is no impact on the profit and net asset position of the Group in the prior year.

The accounting policies adopted are consistent with those of the previous financial year.

1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Peet Limited ('Parent Entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Peet Limited and its subsidiaries together are referred to in these financial statements as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

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.

(ii) 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 land syndicates, significant influence can exist with a lower shareholding by virtue of the Group's position as syndicate 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 income statement, 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.

1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation (continued)

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. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

Jointly controlled operations

In respect of its interests in jointly controlled operations the Group recognises in its financial statements the assets that it controls and the liabilities that it incurs. The expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture are also recognised.

Jointly controlled entities

The interest in jointly controlled entities is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the jointly controlled entities is recognised in the profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to jointly controlled entities are set out in note 34.

Profits or losses on transactions establishing the jointly controlled entities and transactions with the jointly controlled entities are eliminated to the extent of the Group's ownership interest until such time as they are realised by the jointly controlled entities on consumption or sale. A loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a 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.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner 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.

1. Summary of Significant Accounting Policies (continued)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, and duties and taxes paid. The following special recognition criteria must also be met before revenue is recognised:

Sale of land

Revenue and profits 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, marketing and selling management fees

Project management, marketing and selling management fees are recognised where there is a signed contract as this is the point at which revenue has been earned.

Manager's performance fees

Manager's performance fee revenue is recognised at the end of each reporting period and is based on a profitability measurement in accordance with the relevant Management Agreement.

Other trading activities

Revenue from other trading activities is recognised when the service required under the contract has been performed.

Interest income

Interest revenue is brought to account when earned, taking into account the effective yield on the financial asset.

Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction 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, and to unused tax losses.

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. 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 arose 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.

1. Summary of Significant Accounting Policies (continued)

(e) Income Tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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 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.

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.

Tax consolidation legislation

Peet Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Peet Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Peet Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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. Details about the tax funding agreement are disclosed in note 7.

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.

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

1. Summary of Significant Accounting Policies (continued)

(f) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(g) Impairment of assets

Intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

(h) Cash and cash equivalents

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 statement of financial position.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 - 60 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Other receivables are recognised on an accrual basis as the services to which they relate are performed.

Collectability of trade receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

1. Summary of Significant Accounting Policies (continued)

(i) Trade receivables (continued)

The amount of the provision is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(j) Inventories

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.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Land purchased for residential subdivision is classified as non-current. They are reclassified as current when lots within the subdivision are expected to be sold within 12 months.

(k) Current assets classified as held for sale

Current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the current asset (or disposal group) is recognised at the date of derecognition.

Current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(l) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: loans and receivables, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting date.

(i) 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. Loans and receivables are included in receivables in the statement of financial position.

1. Summary of Significant Accounting Policies (continued)

(I) Investments and other financial assets (continued)

(ii) Available for sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

Recognition and derecognition

Regular way 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 income statement. 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 income statement as gains and 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.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available for sale financial assets and financial assets at fair value through profit and 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 income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement 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 1(p).

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 and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

(m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their 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).

1. Summary of Significant Accounting Policies (continued)

(m) Derivatives (continued)

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 fair value of the derivative financial instruments used for hedging purposes is disclosed in note 11. Movements in the hedging reserve in shareholders' equity are shown in note 25. 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. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). However when the forecast transaction that is hedged results in a recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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 income statement. 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 income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement in the period in which they occur.

(n) 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 or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Plant and equipment - 1 to 5 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 (note 1(g)).

1. Summary of Significant Accounting Policies (continued)

(n) Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Properties under construction

Property under construction is carried at cost and is not depreciated until the asset is available and ready for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

(o) Intangible assets - 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.

(p) 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. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying amount less impairment provision of trade receivables and payables 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.

(q) Trade and other payables

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.

(r) Land vendor liabilities

Where the Group or Parent Entity 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.

1. Summary of Significant Accounting Policies (continued)

(s) Borrowings and borrowing costs

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 income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent, there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in reserves, net of income tax effects.

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.

(t) Provisions

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an out flow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Refer to note 1(u) for provisions for rebates.

Where there are a number of similar obligations, the likelihood that an out flow will be required at settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an out flow with respect to any one item included in the same class of obligations may be small.

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.

(u) Rebates

The Company may be required under the terms of certain sale contracts to provide rebates for expenditures undertaken by land holders in respect of Peet 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 twelve to eighteen months from the date of settlement. A liability is recorded at settlement and a related adjustment to revenue is recorded upon the expiration of the time limit if the rebate has not been paid.

1. Summary of Significant Accounting Policies (continued)

(v) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service 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 reporting date using the discounted cash flow method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash out flows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan, Performance Rights Plan and Deferred Employee Share Plan. Information relating to these plans is set out in note 38.

The fair value of options granted under the Employee Share Option Plan and Performance Rights Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and/or performance rights.

The fair value at grant date is independently 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 model takes 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 rights.

The fair value of the options and/or performance rights granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options and/or performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Upon the exercise of options and/or performance rights, the balance of the share based payments reserve relating to those options and/or performance rights is transferred to share capital and the proceeds received, net of any directly attributable transaction costs.

(iv) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1. Summary of Significant Accounting Policies (continued)

(v) Employee benefits (continued)

(v) Termination benefits

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

(vi) Retirement benefit obligations

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

(w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or 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.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period, but not distributed at the end of the reporting period.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to owners of the Parent Entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) 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 statement of financial position.

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.

1. Summary of Significant Accounting Policies (continued)

(aa) Rounding of amounts

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

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

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.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group Year Ending
AASB9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification , measurement and de-recognition of financial assets compared with the requirements of AASB 139.	1-Jan-2015	Amendments are not expected to have any significant impact on the Group.	30-Jun-2016
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	a) These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. (b) This Standard shall be applied when AASB 9 is applied.	1-Jan-2015	Amendments are not expected to have any significant impact on the Group.	30-Jun-2016
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	The requirements for classifying and (a) The change attributable to changes in credit risk are presented in other comprehensive income (OCI) (b) The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1-Jan-2015	Amendments are not expected to have any significant impact on the Group.	30-Jun-2016

1. Summary of Significant Accounting Policies (continued)

(ab) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group Year Ending
AASB1053	Financial Instruments	Application of Tiers of Australian Accounting Standards This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements. Reporting entities listed on the ASX are not eligible to adopt the reduced disclosure requirements.	1-Jul-2013	The Group is listed on the ASX and is therefore not eligible to adopt the new standards.	30-Jun-2014
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1-Jul-2013	The Group is listed on the ASX and is therefore not eligible to adopt the new standards.	30-Jun-2014
AASB 2011-4	Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements	The amendment removes the requirement to include individual key management personnel disclosures in the notes to the financial statement. These disclosures will still need to be provided in the Remuneration Report under s.300A of the Corporations Act 2001. Early adoption is not permitted.	1-Jul-2013	The Group's financial statements will exclude these disclosures in the notes to the financial statements but still disclose these in the Director's Report – remuneration report.	30-Jun-2014
AASB 10	Consolidated Financial Statements	Consolidated Financial Statements introduces control as the single basis for consolidation for all entities, regardless of the nature of the investee. AASB 10 replaces those parts of AASB 127 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces SIC-12 'Consolidation – Special Purpose Entities' in its entirety.	1-Jan-2013	The Group has not yet determined the extent of the impacts of the amendments. The amendments could potentially result in the consolidation of entities that are presently equity accounted.	30-Jun-2014

1. Summary of Significant Accounting Policies (continued)

(ab) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group Year Ending
AASB 11 AASB 12 AASB 127 AASB 128	Joint Arrangements Disclosure of Interests in Other Entities Separate Financial Statements Investments in Associates	Amendments to these standards are concurrent with the issue of AASB 10. Key changes include: Using control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12; - The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee, and the ability to use - An investor would reassess whether it controls an investee if there is a change in facts and circumstances. AASB 12 'Disclosure of Interests in Other Entities' applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. It serves to integrate the disclosure requirements of interests in other entities, currently included in several standards, and also adds additional requirements in a number of areas.	1-Jan-2013	The Group has not yet determined the extent of the impacts of the amendments. The amendments could potentially result in the consolidation of entities that are presently equity accounted.	30-Jun-2014
AASB 101	Presentation of Financial Statements	The amendment changes the disclosure of items presented in Other Comprehensive Income (OCI) in the Statement of Comprehensive Income. - Items are presented separately, in two groups in OCI, based on whether or not they may be recycled to profit or loss in the future; and - Where OCI items have been presented before tax, the amount of tax related to the two groups will need to be shown.	1-Jul-2013	The group has not yet determined the extent of the impacts of the amendments, if any.	30-Jun-2014
AASB 13	Fair value measurement	The amendments change the measurement techniques for fair value and enhances the fair value disclosures.	1-Jan-2013	The group has not yet determined the extent of the impacts of the amendments, if any.	30-Jun-2014

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks; credit risk, price risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments.

Financial risk management is carried out by the accounting and finance department under policies approved by the Board of Directors and the Audit and Risk Management Committee. The department 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.

(a) Credit risk

Credit risk arises from the financial assets of the Group and the Parent Entity, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments.

Credit risk further arises in relation to financial guarantees given to parties as set out in note 28.

The Group manages this risk by:

- transacting with credit worthy counterparties that have an appropriate credit history;
- utilising ISDA agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties;
- 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).

The maximum exposure to credit risk as at 30 June 2012 is the carrying amount of the financial assets as summarised in the table below:

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial assets:					
Cash and cash equivalents	8,12	22,795	57,906	7,860	16,961
Receivables (excluding prepayments)	9,12	82,745	81,929	44,006	59,784
Derivative financial instruments	11	-	1,114	-	-
Total maximum credit exposure		105,540	140,949	51,866	76,745

2. Financial Risk Management (continued)

(a) Credit risk (continued)

Cash

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. The National Australia Bank (NAB) and ANZ are the only concentration of credit risk for the Group and the Parent Entity.

Receivables

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

The ageing analysis of trade receivables as at 30 June 2012 for the Group and the Parent Entity is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Ageing analysis for trade receivables:				
0 - 30 days	4,648	6,817	3,071	6,565
31 -60 days ¹	360	153	277	10
61 -90 days ¹	266	56	195	10
91 - 120 days ¹	90	13	-	26
121 - 150 days ¹	116	-	7	-
151 - 180 days ¹	144	7	137	18
181+ days ¹	3,035	882	345	3,287
Total trade receivables	8,659	7,928	4,032	9,916
% of trade receivables with related parties	41%	36%	80%	57%

1. Past Due Not Impaired (PDNI).

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

Derivative financial instruments

The Group and the Parent Entity limit their exposure to credit risk associated with future payments from interest rate swaps by contracting with reputable major financial institutions subject to regulation in Australia.

(b) Price risk

The Group and the Parent Entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position as available for sale financial assets.

The Group and the Parent Entity hold units in the Peet Income Property Fund (note 14). Peet Limited is the responsible entity for Peet Income Property Fund. The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

2. Financial Risk Management (continued)

(c) Liquidity risk

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

- will not have sufficient funds to settle a transaction on that 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 (note 21 (c)) 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.

Financing arrangements

Included in note 21 (c) is a listing of unused borrowing facilities that the Group has at its disposal to further reduce liquidity risk.

Maturities of financial liabilities

The table below analyses the Group's and the Parent Entity's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, updated for the renegotiated debt facilities as detailed in note 32, except for interest rate swaps where the cash flows have been estimated using forward interest rates applicable at the reporting date.

	CONSOLIDATED				Total contractual cash flows	Carrying amount of liabilities
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2012						
Non-derivatives						
Financial guarantees	21,114	-	-	-	21,114	-
Non-interest bearing	38,502	-	-	-	38,502	38,502
Fixed rate	9,822	13,702	88,186	-	111,710	80,656
Variable rate	40,522	296,477	-	-	336,999	290,655
Total non-derivatives	109,960	310,179	88,186	-	508,325	409,813
Derivatives						
Net settled (interest rate swaps)	-	-	7,435	-	7,435	7,435
At 30 June 2011						
Non-derivatives						
Financial guarantees	17,655	-	-	-	17,655	-
Non-interest bearing	30,630	-	-	-	30,630	30,630
Fixed rate	26,462	13,691	73,424	20,364	133,941	95,037
Variable rate	21,916	49,419	244,965	-	316,300	254,421
Total non-derivatives	96,663	63,110	318,389	20,364	498,526	397,743
Derivatives						
Net settled (interest rate swaps)	-	-	264	-	264	264

2. Financial Risk Management (continued)

(c) Liquidity risk (continued)

	PARENT ENTITY				Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
	Within 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000		
At 30 June 2012						
Non-derivatives						
Financial guarantees	60	-	-	-	60	-
Non-interest bearing	9,492	-	-	-	9,492	9,492
Fixed rate	5,591	5,602	60,417	-	71,609	48,303
Variable rate	630	8,865	-	-	9,495	-
Total non-derivatives	15,773	14,467	60,417	-	90,656	57,795
Derivatives						
Net settled (interest rate swaps)	-	-	-	-	-	-
At 30 June 2011						
Non-derivatives						
Financial guarantees	4,446	-	-	-	4,446	-
Non-interest bearing	6,530	-	-	-	6,530	6,530
Fixed rate	5,830	5,591	66,019	-	77,440	48,671
Variable rate	531	531	7,396	-	8,458	6,865
Total non-derivatives	17,337	6,122	73,415	-	96,874	62,066
Derivatives						
Net settled (interest rate swaps)	-	-	-	-	-	-

(d) Cash flow and fair value interest rate risk

The Group's main interest rate risks arise from cash and long-term borrowings.

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

2. Financial Risk Management (continued)

(d) Cash flow and fair value interest rate risk (continued)

As at the end of the reporting period, the Group had the following cash, variable rate borrowings and interest rate swap contracts outstanding:

	NOTES	CONSOLIDATED Floating interest rate \$'000	Weighted average interest rate %
At 30 June 2012			
Cash and cash equivalents	8,12	22,795	3.90
Borrowings (excluding convertible notes)	21	(267,758)	8.82
Interest rate swaps (notional principal amounts)	11	150,000	8.17
Borrowings (classified as liabilities held for sale)	12	(22,897)	7.10
Interest rate swaps (notional principal amount)	12	15,000	7.75
Total net cash flow exposure		(102,860)	

At 30 June 2011			
Cash and cash equivalents	8,12	57,906	4.61
Borrowings (excluding convertible notes)	21	(225,505)	8.63
Interest rate swaps (notional principal amounts)	11	200,000	8.00
Borrowings (classified as liabilities held for sale)	12	(28,916)	8.49
Interest rate swaps (notional principal amount)	12	15,000	8.06
Total net cash flow exposure		18,485	

	NOTES	PARENT ENTITY Floating interest rate \$'000	Weighted average interest rate %
At 30 June 2012			
Cash and cash equivalents	8	7,860	4.33
Borrowings (excluding convertible notes)	21	(8,234)	7.66
Total net cash flow exposure		(374)	

At 30 June 2011			
Cash and cash equivalents	8	16,961	4.17
Borrowings (excluding convertible notes)	21	(6,865)	7.73
Total net cash flow exposure		10,096	

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 Group's relationship with financial institutions, the level of debt that was renewed and forecasters' economic expectations and represents management's assessment of the possible change in interest rates.

2. Financial Risk Management (continued)

(d) Cash flow and fair value interest rate risk (continued)

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

	CONSOLIDATED				
	Carrying amount \$'000	-50 BASIS POINTS		+ 50 BASIS POINTS	
		Post tax profit/(loss) \$'000	Equity \$'000	Post tax profit/(loss) \$'000	Equity \$'000
At 30 June 2012					
Financial assets					
Cash and cash equivalents (floating)	22,795	(80)	(80)	80	80
Financial liabilities					
Borrowings (floating)	(125,655)	440	440	(440)	(440)
Interest rate swap	(8,046)	-	28	-	(28)
Total (decrease)/increase	(110,906)	360	388	(360)	(388)

At 30 June 2011

Financial assets					
Cash and cash equivalents (floating)	57,906	(203)	(203)	203	203
Interest rate swaps	1,114	-	(4)	-	4
Financial liabilities					
Borrowings (floating)	(39,421)	138	138	(138)	(138)
Interest rate swap	(264)	-	1	-	(1)
Total (decrease)/increase	19,335	(65)	(68)	65	68

	PARENT ENTITY				
	Carrying amount \$'000	-50 BASIS POINTS		+ 50 BASIS POINTS	
		Post tax profit/(loss) \$'000	Equity \$'000	Post tax profit/(loss) \$'000	Equity \$'000
At 30 June 2012					
Financial assets					
Cash and cash equivalents (floating)	7,860	(28)	(28)	28	28
Financial liabilities					
Borrowings (floating)	(8,234)	29	29	(29)	(29)
Total (decrease)/increase	(374)	1	1	(1)	(1)

At 30 June 2011

Financial assets					
Cash and cash equivalents (floating)	16,961	(59)	(59)	59	59
Financial liabilities					
Borrowings (floating)	(6,865)	24	24	(24)	(24)
Total (decrease)/increase	10,096	(35)	(35)	35	35

2. Financial Risk Management (continued)

(e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following tables present the Group's and the Parent Entity's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

	CONSOLIDATED		Total \$'000
	Level 2 \$'000	Level 3 \$'000	
At 30 June 2012			
Assets			
Available for sale financial assets	-	462	462
Total assets	-	462	462
Liabilities			
Derivative financial instruments	8,046	-	8,046
Total liabilities	8,046	-	8,046

At 30 June 2011

Assets

Derivative financial instruments	1,114	-	1,114
Available for sale financial assets	-	462	462
Total assets	1,114	462	1,576

Liabilities

Derivative financial instruments	264	-	264
Total liabilities	264	-	264

	PARENT ENTITY		Total \$'000
	Level 2 \$'000	Level 3 \$'000	
At 30 June 2012			
Assets			
Available for sale financial assets	-	462	462
Total assets	-	462	462
At 30 June 2011			
Assets			
Available for sale financial assets	-	462	462
Total assets	-	462	462

2. Financial Risk Management (continued)

(e) Fair value measurements (continued)

Any change in level 3 instruments relating to fair value adjustments would be recognised in the statements of other comprehensive income.

For financial instruments not quoted in active markets, the Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable market inputs. These instruments are included in level 2.

The fair value of available for sale assets (included in level 3) have been estimated using valuation techniques based on assumptions, which are not supported by observable market prices or rates.

3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The material estimates and assumptions in these financial statements include:

Estimate of sales fall-over rates on project management, marketing and selling management fees.

An analysis of sales fall-overs is performed on a monthly basis for all business segments by location, and updated at each reporting date to determine the appropriateness of the accruals of sales fall-overs recognised in the value of project, marketing and selling management fees in accrued income.

Inventories

The Group is required to carry inventory at lower of cost or net realisable value. The 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. These estimates take into consideration fluctuations of price or costs directly related to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgement and are reviewed annually. The basis of the valuation for land owned by the Group is set out in note 10. The Group has expensed \$21,248,000 (2011: \$31,251,000) in relation to inventory that was carried in excess of the net realisable value and development costs.

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 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, EBIT and profit after tax.

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

Funds management/land syndication

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

Company-owned projects

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

Joint ventures

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

For internal reporting purposes management consider both 'The Village at Wellard' and 'Quattro – The New Queens Park' projects to be joint ventures. Quattro, however, is not considered a joint venture for statutory reporting purposes.

The Consolidated Entity operates only in Australia.

Inter-segment transfers

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

4. Segment Information (continued)

	Funds Management / Land Syndication		Asset Management Company Owned Projects		Asset Management Joint Ventures		Inter-Segment Eliminations and Unallocated		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue										
Sales to external customers	28,154	46,158	92,049	118,290	20,135	17,036	-	-	140,338	181,484
Total Sales Revenue	28,154	46,158	92,049	118,290	20,135	17,036	-	-	140,338	181,484
Other Income	344	235	1,177	2,272	-	-	-	-	1,521	2,507
Interest	-	-	-	-	-	-	5,015	4,734	5,015	4,734
Total Segment Revenue	28,498	46,393	93,226	120,562	20,135	17,036	5,015	4,734	146,874	188,725
Result before write-down in carrying value of inventories and development costs, depreciation, financing costs, interest and finance costs expensed through cost of sales and income tax expense	18,783	30,710	20,214	40,108	2,553	5,625	5,015	4,734	46,565	81,177
Write down in carrying value of inventories and development costs	-	-	(21,248)	(31,251)	-	-	-	-	(21,248)	(31,251)
EBITDA (i)	18,783	30,710	(1,034)	8,857	2,553	5,625	5,015	4,734	25,317	49,926
Depreciation and amortisation	(508)	(347)	(1,910)	(1,007)	(271)	(271)			(2,689)	(1,625)
EBIT (ii)	18,275	30,363	(2,944)	7,850	2,282	5,354	5,015	4,734	22,628	48,301
Financing costs (includes interest and finance costs expensed through cost of sales)									(16,933)	(15,550)
Profit before income tax expense									5,695	32,751
Income tax expense									(434)	(10,545)
Profit for the year									5,261	22,206

(i) EBITDA: Earnings Before Interest and Finance Charges amortised through cost of sales, Tax, Depreciation and Amortisation.

(ii) EBIT: Earnings Before Interest and Finance Charges amortised through cost of sales and Tax.

5. Revenue

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Revenue from sales of Land	92,049	118,290	41	38
Project management and performance fees	27,583	43,994	19,938	34,781
Revenue from Joint Venture operations	18,590	16,442	-	1,032
Revenue from other trading activities				
- Syndicate administration fees	1,651	1,155	1,356	1,183
- Syndicate underwriting and capital raising fees	465	1,603	2,665	2,153
	140,338	181,484	24,000	39,187
Other revenue				
- Dividends	344	235	344	235
- Interest	5,015	4,734	2,180	2,369
- Other	1,177	2,272	-	25
	6,536	7,241	2,524	2,629
	146,874	188,725	26,524	41,816

6. Expenses

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Profit before income tax includes the following specific expenses:				
Land and development cost expense				
Land and development cost expense	59,174	64,469	(287)	41
Capitalised interest and finance expense	8,631	10,268	-	-
	67,805	74,737	(287)	41
Depreciation and Amortisation				
Property, plant and equipment	2,564	1,620	1,478	787
Intangible assets	125	5	77	5
	2,689	1,625	1,555	792
Finance costs				
Interest and finance charges paid/payable	24,573	23,757	669	550
Cash flow hedges - transfer from equity	131	1,441	131	1,441
Cash flow hedges - transfer from equity on-charged to subsidiaries	-	-	-	(1,422)
Interest on convertible notes	5,540	211	5,540	211
Interest on convertible notes - on-charged to subsidiaries	-	-	(5,361)	(204)
Amount capitalised	(21,942)	(20,127)	(802)	(381)
	8,302	5,282	177	195
Discount on land vendor payments				
Change in present value of land vendor payments	2,386	3,622	-	-
Capitalisation change in present value of land vendor payments	(2,386)	(3,622)	-	-
	-	-	-	-
Rental expense - relating to operating leases included in office costs				
Minimum lease payments	1,457	1,227	1,457	1,227
Write-down in carrying value of inventories				
Write-down of inventory to net realisable value	21,248	30,783	-	-
Write-off of development expenditure	-	468	-	468
	21,248	31,251	-	468
Other charges against assets				
Bad debts - trade receivables	-	-	-	3

7. Income Tax Expense

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Income Tax Expense					
Current Tax		2,367	13,723	2,518	2,142
Deferred Tax		(339)	(3,176)	(2,919)	1,176
Adjustments for current tax of prior periods		(10,219)	(159)	(28)	(29)
Adjustments for deferred tax of prior periods		8,625	157	-	(456)
		434	10,545	(429)	2,833
Deferred income tax expense included in income tax expense comprises:					
(Increase)/Decrease in deferred tax assets	15	10,099	(9,286)	1,115	184
Increase/(Decrease) in deferred tax liabilities	23	(1,813)	6,267	(4,034)	536
		8,286	(3,019)	(2,919)	720
Numerical reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		5,695	32,751	6,602	15,412
Tax at Australian tax rate of 30% (2011: 30%)		1,709	9,825	1,981	4,624
Tax effect of amounts which are not deductible (taxable) in calculating taxable income					
Entertainment		10	28	9	25
Share of net profit of associates		(3)	532	-	-
Employee benefits		591	229	591	229
Tax Consolidation Distribution		-	-	(2,715)	(1,492)
Dividend franking		14	28	14	28
Franking rebate		(46)	(98)	(46)	(98)
Sundry items		(247)	3	(235)	2
Over-provision in prior years		(1,594)	(2)	(28)	(485)
		434	10,545	(429)	2,833

Peet Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1 (e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Peet Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Peet Limited for any current tax payable assumed and are not compensated by Peet Limited for any unused tax losses or unused tax credits that are transferred to the Parent Entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables or payables (note 31 (e)).

(a) Other income related to tax consolidation legislation

Peet Limited has recognised a tax consolidation distribution from wholly owned tax consolidated entities of \$9,050,612 (2011: \$4,974,000). The distribution arose as the result of a transfer of tax losses to the head entity for no compensation and is classified as other income.

8. Current Assets – Cash and Cash Equivalents

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash at bank and cash on hand	22,613	57,201	7,860	16,961
	22,613	57,201	7,860	16,961

Credit risk and interest rate risk

The Group's and the Parent Entity's exposure to credit risk and interest rate risk is discussed in note 2.

9. Receivables (Current and Non-current)

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Trade receivables - note (a)	8,659	7,928	4,032	9,916
Accrued income - note (b)	19,398	29,675	13,617	24,620
Tax related amounts receivable from wholly owned entities	31(e) -	-	-	8,941
Tax receivables	7,797	-	7,797	-
Prepayments	825	429	762	351
Other debtors - note (c)	1,139	1,634	272	263
Amounts receivable from associates	31(e) 6,148	28,086	6,148	8,955
	43,966	67,752	32,628	53,046
Non-current				
Deferred facilities fee - note (e)	3,400	2,900	-	-
Other debtors	22	22	-	-
Amounts receivable from associates	31(e) 36,027	11,656	12,140	7,089
	39,449	14,578	12,140	7,089
Total receivables	83,415	82,330	44,768	60,135

(a) Impaired trade receivables

Trade receivables are non-interest bearing and generally have 30-60 day terms. There were no impaired trade receivables and hence no provision for impaired trade receivables at the end of the year for either the Group or the Parent Entity (2011: \$nil)

(b) Accrued income

These amounts represent project management and performance fees from associates.

(c) Other debtors

These receivables are related to sundry debtors, bonds recoverable and GST recoverable. Amounts relating to other debtors are expected to be received within a year.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. The fair value of securities held for certain trade receivables is insignificant as is the fair value of any collateral sold or pledged. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

(e) Deferred facilities fee

Homes in the Latitude Lakelands retirement village are sold to approved applicants on condition that every purchaser enters into an "Estate Lifestyle Agreement" with Secure Living Pty Limited, a wholly owned subsidiary of Peet Limited. The agreement includes a requirement to pay deferred facilities fees on departure by the resident, which is based on 3% of the market value of the unit (at the time of sale and departure) for each year of occupation up to a maximum of 24%.

As at 30 June 2012, the deferred facilities fee is accrued based on the independent valuation of the properties.

10. Inventories (Current and Non-current)

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Cost of acquisition	43,636	55,527	-	-
Capitalised development costs	44,616	46,618	-	-
Capitalised finance costs	17,569	18,299	-	-
	105,821	120,444	-	-
Non-Current				
Cost of acquisition	188,087	204,437	5,157	5,157
Capitalised development costs	75,819	59,157	3,927	3,178
Capitalised finance costs	58,400	37,385	2,294	1,493
	322,306	300,979	11,378	9,828
Total carrying amount of inventories	428,127	421,423	11,378	9,828

Write-down in carrying value of inventories and development costs

Write-down of inventories to net realisable value and development expenditure recognised as an expense during the year ended 30 June 2012 amounted to \$21,248,000 (2011: \$31,251,000) for the Group (note 6).

Valuations

The independent mortgage valuations of land owned by the Consolidated Entity for the year ended 30 June 2012 is \$559,807,000 (2011: \$586,033,000) exclusive of GST. The mortgage valuations were determined by independent valuers using the direct comparison approach or the discounted cash flow analysis method.

In addition to the inventories noted above, the Group also has inventories of \$73,630,000 (2010: \$68,493,000) classified as held for sale (note 12).

11. Derivative Financial Instruments (Current and Non-Current)

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current Assets				
Interest rate swap contracts - cash flow hedges	-	263	-	-
Non-current Assets				
Interest rate swap contracts - cash flow hedges	-	851	-	-
Non-current Liabilities				
Interest rate swap contracts - cash flow hedges	7,435	-	-	-
Total derivative financial instruments	(7,435)	1,114	-	-

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (note 2).

Interest rate swap contracts - cash flow hedges

Bank loans of the Group currently bear a weighted average variable interest rate before hedges of 4.60% (2011: 4.83%). It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently cover approximately 63% (2011: 89%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate swaps range between 4.71% and 5.08% (2011: 4.10% and 5.08%) and the variable rates are between 3.69% and 4.97% (2011: 4.65% and 5.08%).

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 contracts are settled on a net basis.

At 30 June 2012, the notional principal amounts and periods of expiry of the interest rate swap contracts were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
0-1 years	-	50,000	-	-
1-2 years	75,000	-	-	-
2-3 years	-	75,000	-	-
3-4 years	75,000	-	-	-
4+ years	-	75,000	-	-
	150,000	200,000	-	-

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 income statement immediately. There was no ineffectiveness in the current or prior year.

11. Derivative Financial Instruments (Current and Non-Current)(continued)

In relation to the other loans (note 21), \$131,442 was transferred from the hedge reserve to finance costs in the current year (2011: \$1,441,000).

In addition to the interest rate swap contracts noted above, the Group also has a further interest rate swap contract classified as held for sale (note 12).

Credit risk and interest rate risk

Information about the Group's and the Parent Entity's exposure to credit risk and interest rate risk is provided in note 2.

12. Assets and Liabilities - Classified as held for sale

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(a) Assets classified as held for sale				
Cash and cash equivalents	182	705	-	-
Property, plant & equipment	151	1	-	-
Tax receivables	155	28	-	-
Inventories	73,630	68,493	-	-
Deferred tax assets	772	282	-	-
	74,890	69,509	-	-
(b) Liabilities directly associated with assets classified as held for sale				
Payables	386	259	-	-
Bank loans - secured	22,897	28,916	-	-
Interest rate swap contracts - cash flow hedges	611	264	-	-
	23,894	29,439	-	-

Interest rate swap contracts - cash flow hedges

Bank loans included in liabilities classified as held for sale currently bear a weighted average variable interest rate before hedges of 4.55% (2011: 4.86%). It is the Company's policy to protect part of the loans from exposure to interest rate fluctuations. Accordingly, the Company has entered into an interest rate swap contract under which it is obliged to receive interest at a variable rate and to pay interest at a fixed rate.

The swap currently in place covers approximately 66% (2011: 52%) of the loan principal outstanding and is timed to expire as each loan repayment falls due. The fixed interest rate is 5.69% (2011: 5.69%) and the variable rates are between 3.73% and 4.91% (2011: 4.84% and 4.88%).

The contract requires settlement of net interest receivable or payable monthly. The settlement date coincides with the date on which interest is payable on the underlying debt. The contract is settled on a net basis.

At 30 June 2012, the notional principal amount was \$15,000,000 (2011: \$15,000,000) and is due to expire on 10 January 2014.

Cash flow hedges are assessed at each reporting date to ensure they are effective in offsetting changes in the fair value of the cash flows from the underlying hedged items. When an assessment of a hedge is undertaken the effective portion of changes in the fair value of the hedge is recognised in the comprehensive income and in the hedge reserve. Any ineffective portion of changes in the fair value of the hedge is recognised immediately in the income statement within finance costs. The hedges were assessed as being fully effective in the current and prior year.

12. Assets and Liabilities - Classified as held for sale (continued)

(c) Transactions with non-controlling interests

In December 2010, Peet No 113 Pty Ltd (a wholly owned subsidiary of Peet Limited) sold down by syndication 33.5% of its investment in Peet Yanchep Land Syndicate ("Syndicate") for \$13,803,000 (being \$0.75 per unit). In February 2011, Peet No 113 Pty Ltd sold down a further 0.1% of its investment in the Syndicate for \$57,000 (being \$0.75 per unit). The difference between the book value of the assets disposed and the proceeds received has been recognised in the non-controlling interest reserve.

In September 2011 the Syndicate made a further call of \$0.25 per unit on the holders of all \$1.00 ordinary class units previously partly paid to \$0.75. As such the Peet Group received \$4,620,000 from non-controlling interests.

The assets and liabilities of the Syndicate have been classified as held for sale as the directors of Peet Limited are actively in the process of preparing to market the sell down of units held by Peet No 113 Pty Ltd. It is the directors' intention to sell down to a non-controlling interest.

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Carrying amount of assets sold to non-controlling interests	4,103	13,511	-	-
Consideration received from non-controlling interest	(4,620)	(13,860)	-	-
Excess of consideration received recognised in the transactions with non-controlling interests reserve within equity	(517)	(349)	-	-

13. Non-current Assets - Investments Accounted for Using the Equity Method

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Peet Yanchep Pty Ltd	11,192	700	-	-
Peet Caboolture Syndicate Ltd	3,010	1,244	-	-
Peet Tri-State Syndicate Ltd	3,843	3,910	-	-
Peet Flagstone City Pty Ltd	47,004	4,606	-	-
Peet Alkimos Pty Ltd	25,391	24,348	-	-
Other	1,357	1,316	-	-
	91,797	36,124	-	-

The Group assesses at each balance date the carrying value of investments in associates and jointly controlled entities to ensure the assets are not impaired.

Investments in associates and jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the entity holding the investment (note 34).

14. Non-Current Assets - Available For Sale Financial Assets

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Carrying amount of assets sold to non-controlling interests	462	462	462	462

The fair value has been estimated using valuation techniques based on assumptions, which are outlined in note 1(p), that are not supported by observable market prices or rates.

Included in available for sale investments in both the Group and the Parent Entity are units in the unlisted trust Peet Income Property Fund at a fair value of \$462,000 (2011: \$462,000). The Parent Entity owns 370,139 units (2011: 370,139 units) of the issued capital of Peet Income Property Fund. Peet Limited is the Responsible Entity for Peet Income Property Fund.

Information about the Group's and the Parent Entity's exposure to price risk is provided in note 2(b).

15. Non-current assets - Deferred Tax Assets

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:					
Accrued expenses and provisions		233	1,136	219	1,132
Staff provisions		445	416	424	402
Inventory		556	10,115	-	-
Cashflow hedges		2,231	-	-	-
Capital raising costs		307	521	307	521
		3,772	12,188	950	2,055
Other					
Rebates provision		205	157	-	1
Convertible notes		31	40	31	40
Assets classified as held for sale		772	282	-	-
Depreciation		19	-	-	-
		1,027	479	31	41
Total deferred tax assets		4,799	12,667	981	2,096
Set off against deferred tax liabilities pursuant to set off provisions 23		(4,027)	(12,385)	(981)	(2,096)
Set off against assets classified as held for sale		(772)	(282)	-	-
		-	-	-	-
Deferred tax assets to be recovered within 12 months		1,450	1,834	643	1,534
Deferred tax assets to be recovered after more than 12 months		3,349	10,833	338	562
		4,799	12,667	981	2,096

CONSOLIDATED

MOVEMENTS	Accrued Expenses	Staff	Inventory	Capital	Other	Total
	and Provisions	Provisions		Raising		
	\$'000	\$'000	\$'000	Costs	\$'000	\$'000
At 1 July 2010	1,070	330	525	657	412	2,994
Credited/(charged)						
- to profit or loss	66	86	9,590	(338)	(118)	9,286
- to other comprehensive income	-	-	-	-	79	79
- directly to equity	-	-	-	202	106	308
At 30 June 2011	1,136	416	10,115	521	479	12,667
Credited/(charged)						
- to profit or loss	(903)	29	(9,559)	(214)	548	(10,099)
- to other comprehensive income	-	-	-	-	-	-
- directly to equity	-	-	-	-	2,231	2,231
At 30 June 2012	233	445	556	307	3,258	4,799

15. Non-current assets - Deferred Tax Assets (continued)

MOVEMENTS	PARENT					
	Accrued Expenses and Provisions	Staff Provisions	Inventory	Capital Raising Costs	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	1,045	319	-	657	17	2,038
Credited/(charged)						
- to profit or loss	87	83	-	(338)	(16)	(184)
- to other comprehensive income	-	-	-	-	-	-
- directly to equity	-	-	-	202	40	242
At 30 June 2011	1,132	402	-	521	41	2,096
Credited/(charged)						
- to profit or loss	(913)	22	-	(214)	(10)	(1,115)
- to other comprehensive income	-	-	-	-	-	-
- directly to equity	-	-	-	-	-	-
At 30 June 2012	219	424	-	307	31	981

16. Non-Current Assets - Investments in Subsidiaries and Associates

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Investments in associates	34	-	-	38,738	35,296
Investments in subsidiaries	31(e),35	-	-	204,494	189,381
		-	-	243,232	224,677

17. Non-current Assets - Property, Plant and Equipment

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cost	18,780	16,210	7,500	6,749
Accumulated depreciation	(8,172)	(5,635)	(4,702)	(3,224)
	10,608	10,575	2,798	3,525
Movement in property, plant and equipment				
Property, Plant and equipment:				
Cost	13,380	11,354	6,749	5,696
Accumulated depreciation	(5,635)	(4,015)	(3,224)	(2,437)
Carrying amount at 1 July	7,745	7,339	3,525	3,259
Additions	2,490	2,026	751	1,053
Disposals	(8)	-	-	-
Depreciation	(2,549)	(1,620)	(1,478)	(787)
Carrying amount at 30 June	7,678	7,745	2,798	3,525
Property under construction:				
Cost	2,830	673	-	-
Carrying amount at 1 July	2,830	673	-	-
Additions	100	2,157	-	-
Carrying amount at 30 June	2,930	2,830	-	-
Total carrying amount at 30 June	10,608	10,575	2,798	3,525

Refer to note 21(b) for information on non-current assets pledged as security by the Parent Entity and its controlled entities.

18. Non-current Assets - Intangible Assets

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cost	2,406	881	1,169	881
Accumulated amortisation	(130)	(5)	(82)	(5)
	2,276	876	1,087	876
Movement in intangible assets:				
Carrying amount at 1 July	876	-	876	-
Additions	1,525	881	288	881
Amortisation charge	(125)	(5)	(77)	(5)
Carrying amount at 30 June	2,276	876	1,087	876

Amortisation of \$124,445 (2011: \$5,000) is included in depreciation and amortisation expense in profit or loss.

19. Payables (Current and Non-Current)

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Trade payables	5,473	2,967	1,617	570
Unearned income	17,734	11,218	-	-
GST payable	3,305	4,141	639	487
Accruals	3,536	3,623	489	727
Tax related amounts payable to wholly owned entities	-	-	5,223	-
Other payables	8,068	8,422	1,524	4,744
	38,116	30,371	9,492	6,528
Non-current				
Owing to controlled entities - note(a)	-	-	-	2
	-	-	-	2

(a) Terms and conditions on amounts owing to controlled entities are set out in note 31(e)

20. Land Vendor Liabilities (Current and Non-current)

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Instalment for purchase of development property	12,332	20,631	-	-
Future interest component of deferred payment	(223)	(58)	-	-
	12,109	20,573	-	-
Non-current				
Instalment for purchase of development property	27,770	35,870	-	-
Future interest component of deferred payment	(7,526)	(10,077)	-	-
	20,244	25,793	-	-
	32,353	46,366	-	-

The deferred payment terms for land vendor liabilities are disclosed in accordance with note 1(r). Generally, the land vendor holds the title over the property until settlement has occurred.

21. Borrowings (Current and Non-current)

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Bank loans - secured	37,758	-	-	-
Other loans - fixed	860	1,080	860	1,080
	38,618	1,080	860	1,080
Non-current				
Bank loans - secured	230,000	225,505	-	-
Intercompany debt from Peet Treasury	-	-	8,234	6,865
Other loans - fixed	1,676	2,610	1,676	2,610
Convertible Notes - unsecured	45,767	44,981	45,767	44,981
	277,443	273,096	55,677	54,456
Total borrowings	316,061	274,176	56,537	55,536

Other loans

On 30 April 2009, Peet Limited entered into an agreement with the National Australia Bank for the payment of \$5,900,000 for the close out of three interest rate swap contracts with a total notional value of \$100,000,000.

In addition to the borrowings in the table above, the Group also has borrowings of \$22,897,000 (2011: \$28,916,000) classified as held for sale (note 12).

(a) Convertible Notes

The Parent Entity issued 500,000 convertible notes for \$50 million on 16 June 2011. The notes are convertible into ordinary shares of the Parent Entity, at the option of the holder, or repayable on 16 June 2016. The conversion rate is 44.44 shares for each note held, which is based on a fixed conversion price of \$2.25 (subject to adjustment for certain dilutionary and other capital transactions). The convertible notes are presented in the balance sheet as follows:

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Face value of notes issued		50,000	50,000	50,000	50,000
Transaction cost of notes issue		(2,316)	(2,285)	(2,316)	(2,285)
Other equity securities (net of transaction costs) - value of conversion rights	25	(2,761)	(2,763)	(2,761)	(2,763)
		44,923	44,952	44,923	44,952
Interest expense ¹	6	5,751	211	5,751	211
Interest accrued		(4,907)	(182)	(4,907)	(182)
		844	29	844	29
Non-current liability		45,767	44,981	45,767	44,981

1. Interest expense is calculated by applying the effective interest rate of 12.3% to the liability component.

21. Borrowings (Current and Non-current)

(b) Assets pledged as security

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current					
First Mortgage					
Inventories	10,20	93,712	99,871	-	-
Assets classified as held for sale	12	73,630	68,493	-	-
		167,342	168,364	-	-
Floating charge					
Cash and cash equivalents	8	22,613	57,201	7,860	16,961
Receivables	9	43,966	67,752	32,628	53,046
Assets classified as held for sale	12	337	733	-	-
		66,916	125,686	40,488	70,007
Total current assets pledged as security		234,258	294,050	40,488	70,007
Non-current assets					
First Mortgage					
Inventories	10,20	302,062	275,186	11,378	9,828
Floating charge					
Receivables	9	39,449	14,578	12,140	7,089
Available for sale financial assets	14	462	462	462	462
Other financial assets	16	-	-	243,232	224,677
Property, plant and equipment	17	10,608	10,575	2,798	3,525
Assets classified as held for sale	12	151	1	-	-
		50,670	25,616	258,632	235,753
Total non-current assets pledged as security		352,732	300,802	270,010	245,581
Total assets pledged as security		586,990	594,852	310,498	315,588

The terms and conditions relating to the financial assets are as follows:

Receivables, available for sale financial assets and investments in subsidiaries and associates are pledged against secured bank loans to the extent that they are not already covered by valuations on inventories (land assets) and plant and equipment on a floating basis for the terms of the various secured loans.

21. Borrowings (Current and Non-current) (continued)

(c) Financing Arrangements

A summary of the Group's financing facilities are below:

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Total facilities		
Bank loan facilities	329,603	308,083
Bank guarantees	30,933	32,607
Credit cards	75	75
	360,611	340,765
Used at balance date		
Bank loan facilities	293,191	258,111
Bank guarantees	18,273	17,655
Credit cards	21	17
	311,485	275,783
Unused at balance date		
Bank loan facilities	36,412	49,972
Bank guarantees	12,660	14,952
Credit cards	54	58
	49,126	64,982

Parent Entity facilities are not disclosed as the Parent Entity does not transact with financial institutions in its own right, but rather Peet Treasury Pty Limited, a wholly owned subsidiary of Peet Limited, manages the Group's treasury function.

21. Borrowings (Current and Non-current) (continued)

(c) Financing Arrangements (continued)

The terms and conditions of the consolidated entity's borrowings facilities are as follows:

Type of facility	Limit \$'000	Maturity Date
Revolving multi-option Facility	250,000	30 Jun 14 ¹
Revolving multi-option Facility	30,000	31 Aug 12 ¹
Bank Guarantee	25,000	30 Jun 14
Revolving multi-option Facility - Joint Venture	19,067	30 Jun 14
Bank Guarantee - Joint Venture	933	30 Jun 14
Bank Guarantee	5,000	30 Jun 14
Business credit Card Facility	75	30 Jun 14
Fixed Interest Loan	2,536	29 Apr 16

1. Subsequent to year end the Group has renegotiated the terms of its debt facilities with its lenders as follows:

- a) The \$250 million revolving multi-option facility reduces to: \$240 million on 1 January 2013, \$230 million 1 April 2013, \$210 million 1 July 2013 and expires 30 June 2014.
- b) The \$30 million revolving multi-option facility reduced to \$20 million on 31 August 2012 and expires on 1 October 2012.

(d) Interest rate risk and liquidity risk

Details regarding liquidity and interest rate risk are disclosed in note 2(c) and 2(d)

(e) Fair value

Details of the fair value of the borrowings are disclosed in note 2(e)

22. Provisions (Current and Non-current)

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Rebates - note (a)	2,112	1,628	-	3
Employee entitlements - long service leave - note (b)	494	341	494	327
	2,606	1,969	494	330
Non-current				
Employee entitlements - long service leave - note (b)	44	153	27	149
Total provisions	2,650	2,122	521	479

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

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	1,628	2,340	3	54
Charged/(credited) to the income statement				
- Additional provision recognised	2,822	1,537	(3)	-
- Paid during year	(1,688)	(1,861)	-	-
- Expired during the year	(650)	(388)	-	(51)
Carrying amount at 30 June	2,112	1,628	-	3

(a) Rebates

Once the Group and the Parent Entity sells lots, purchasers may become entitled to a rebate for items such as fencing and landscaping. In general, the Group expects that rebates will be claimed within 12 to 18 months of the purchased lots settling.

(b) Long service leave

Refer to note 1 (v)(ii) for the relevant accounting policy and a discussion of the significant estimates and assumptions applied in the measurement of this provision.

23. Non-Current Liabilities - Deferred Tax Liabilities

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:					
Borrowing and interest costs		22,637	18,780	678	429
Accrued income		9,029	14,502	3,220	7,280
Cashflow hedges		-	334	-	-
Convertible notes		704	810	704	810
Depreciation		-	91	2	119
Total deferred tax liabilities		32,370	34,517	4,604	8,638
Set off against deferred tax liabilities					
pursuant to set off provisions	15	(4,027)	(12,385)	(981)	(2,096)
Net deferred tax liabilities		28,343	22,132	3,623	6,542
Deferred tax liabilities to be settled within 12 months		9,029	14,502	3,220	7,280
Deferred tax liabilities to be settled after more than 12 months		23,341	20,015	1,384	1,358
		32,370	34,517	4,604	8,638

CONSOLIDATED

MOVEMENTS

	Borrowing and Interest Costs	Accrued Income	Cash Flow Hedges	Convertible Notes	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	16,707	9,838	362	-	70	26,977
Credited/(charged)						
- to profit or loss	2,073	4,664	(432)	(59)	21	6,267
- to other comprehensive income	-	-	387	-	-	387
- directly to equity	-	-	17	869	-	886
At 30 June 2011	18,780	14,502	334	810	91	34,517
Credited/(charged)						
- to profit or loss	3,857	(5,473)	-	(106)	(91)	(1,813)
- to other comprehensive income	-	-	-	-	-	-
- directly to equity	-	-	(334)	-	-	(334)
At 30 June 2012	22,637	9,029	-	704	-	32,370

23. Non-Current Liabilities - Deferred Tax Liabilities (continued)

MOVEMENTS	PARENT					
	Borrowing and Interest Costs	Accrued Income	Cash Flow Hedges	Convertible Notes	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	306	6,399	362	-	96	7,163
Credited/(charged)						
- to profit or loss	123	881	(432)	(59)	23	536
- to other comprehensive income	-	-	70	-	-	70
- directly to equity	-	-	-	869	-	869
At 30 June 2011	429	7,280	-	810	119	8,638
Credited/(charged)						
- to profit or loss	249	(4,060)	-	(106)	(117)	(4,034)
- to other comprehensive income	-	-	-	-	-	-
- directly to equity	-	-	-	-	-	-
At 30 June 2012	678	3,220	-	704	2	4,604

24. Contributed Equity

(a) Share capital

	CONSOLIDATED AND PARENT ENTITY			
	2012 shares	2011 shares	2012 \$'000	2011 \$'000
Paid up capital				
Ordinary shares - fully paid	320,170,604	318,038,544	203,713	201,291

Movements in ordinary share capital

Date	Details		Number of shares	\$'000
30 June 2010	Opening balance		300,681,486	176,025
18 October 2010	Dividend Reinvestment plan	(d)	2,284,318	4,157
20 April 2011	Dividend Reinvestment plan	(d)	888,440	1,581
30 June 2011	Intitutional Share Purchase Plan	(f)	11,210,992	15,808
30 June 2011	Retail Share Purchase Plan	(f)	2,973,308	4,192
	Less: Transaction costs arising on share issue	(e)		(674)
	Deferred tax credit recognised in equity (Note 15)			202
30 June 2011	Opening balance		318,038,544	201,291
31 October 2011	Dividend Reinvestment plan	(d)	2,132,060	2,431
	Less: Transaction costs arising on share issue	(e)	-	(13)
	Deferred tax credit recognised in equity (Note 15)		-	4
30 June 2012	Closing balance		320,170,604	203,713

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share held is entitled to one vote.

(c) Options

Information relating to the Peet Limited Employee Share Option Plan, including details of the options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 38.

(d) Dividend Reinvestment Plan (DRP)

The Company's DRP provided shareholders with an opportunity to acquire additional shares in the Company during the year.

(e) Transaction costs

The transaction costs represent the costs of issuing the shares under the Share Purchase Plan.

(f) Capital risk management

The Group's and the Parent Entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 and the Parent Entity monitor 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. At 30 June 2012, the gearing ratio was 39.7% (2011: 33.5%).

Subsequent to the end of the financial year the Group renegotiated the team of its debt facility with its lenders. The details are set out in note 32.

25. Reserves and Retained Profits

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Reserves				
Cash flow hedges reserve	(5,857)	526	1	(91)
Share-based payments reserve	4,338	2,364	4,338	2,364
Convertible Notes reserve	1,933	1,934	1,933	1,934
Non-controlling interest reserve	713	196	-	-
	1,127	5,020	6,272	4,207
Movements				
Cash flow hedges reserve				
Balance 1 July	526	(254)	(91)	(254)
Revaluation - gross	(8,779)	(269)	-	(1,208)
Transfer to Profit and Loss	131	1,441	131	1,441
Associates - cash flow hedge reserve	(471)	(58)	-	-
Deferred tax	2,736	(334)	(39)	(70)
Balance 30 June	(5,857)	526	1	(91)
Share-based payments reserve				
Balance 1 July	2,364	1,621	2,364	1,621
Option Expense	1,974	743	1,974	743
Balance 30 June	4,338	2,364	4,338	2,364
Convertible Notes Reserve				
Balance 1 July	1,934	-	1,934	-
Revaluation - gross	-	2,895	-	2,895
Transaction cost of issue	(2)	(132)	(2)	(132)
Deferred tax	1	(829)	1	(829)
Balance 30 June	1,933	1,934	1,933	1,934
Non-controlling interest reserve				
Balance 1 July	196	-	-	-
Gain on Disposal of ownership in Peet Yanchep Land Syndicate Limited	517	349	-	-
Transaction cost of share issue	-	(218)	-	-
Deferred tax	-	65	-	-
Balance 30 June	713	196	-	-

Cash flow hedges reserve

The cash flow hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that is recognised directly in equity, as described in note 1(m). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options granted.

Convertible notes reserve

The convertible notes reserve is used to recognise the value of the conversion rights relating to the 9.5% convertible notes, details of which are shown in note 21(a).

25. Reserves and Retained Profits (continued)

Non-controlling interest reserve

This reserve is used to record the differences described in note 1 (b) (iv) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Retained profits					
Retained profits at the beginning of the financial year		52,018	55,520	38,708	51,778
Profit for the year		5,437	22,147	7,031	12,579
Dividends provided for or paid	26	(14,312)	(25,649)	(14,312)	(25,649)
Retained profits at the end of the financial year		43,143	52,018	31,427	38,708

26. Dividends

(a) Dividends Paid

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED/ UNFRANKED
2012				
Final 2011 ordinary	4.50	14,312	18 Oct 11	Franked
Total dividends paid	4.50	14,312		
2011				
Interim 2011 ordinary	4.00	12,118	20 Apr 11	Franked
Final 2010 ordinary	4.50	13,531	15 Oct 10	Franked
Total dividends paid	8.50	25,649		

Franked dividends declared or paid during the year were fully franked at the tax rate of 30%

(b) Dividends not recognised at year end

No dividends were declared after the balance date for 2012.

(c) Dividend Reinvestment Plan (DRP)

The Company's DRP which provides shareholders with an opportunity to acquire shares in the Company operated during the year. This provides shareholders with the choice of reinvesting some or all of their dividends in shares (at a discount) rather than receiving those dividends in cash.

(d) Dividend franking account

	PARENT ENTITY	
	2012 \$'000	2011 \$'000
The amount of franking credits/(debits) available for the subsequent financial year are:		
(a) Franking account balance as at the end of the financial year at 30% (2011: 30%)	2	3,043
(b) Franking credits/(debits) that will arise from the payment /(receipt) of income tax payable/(receivable)	(7,797)	3,171
	(7,795)	6,214

The \$7,797,000 franking debits which will result from the receipt of income tax receivable will not be received on or before 30 September 2012, therefore franking deficit tax will not be payable in regards 30 June 2012.

27. Remuneration of Auditors

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$	\$	\$	\$
Audit Services				
Audit and review of financial reports and other audit work under the Corporations Act 2001				
PricewaterhouseCoopers Australian firm	267,921	234,210	267,921	234,210
Non-PricewaterhouseCoopers audit firms	14,667	14,111	-	-
Total remuneration for audit services	282,588	248,321	267,921	234,210
Other assurance services				
PricewaterhouseCoopers Australian firm	20,000	112,073	20,000	112,073
Non-PricewaterhouseCoopers audit firms	4,950	56,240	-	51,290
Total remuneration for other assurance services	24,950	168,313	20,000	163,363
Total remuneration for audit and other assurance services	307,538	416,634	287,921	397,573
Taxation services				
Tax compliance services including review of Company income tax returns				
PricewaterhouseCoopers Australian firm	181,749	72,000	181,749	72,000
Non-PricewaterhouseCoopers tax firms	10,417	3,050	2,560	-
Total remuneration for taxation services	192,166	75,050	184,309	72,000
Other services				
PricewaterhouseCoopers Australian firm	71,025	-	71,025	-
Total remuneration for other services	71,025	-	71,025	-

28. Contingencies

Contingent liabilities

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

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Underwriting obligations outstanding	197	13,947	197	13,947
Bank guarantees outstanding	21,114	17,655	60	4,446
	21,311	31,602	257	18,393

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.

Contingent assets

The Directors are not aware of any circumstances or information pertaining to the existence or possible existence of any contingent assets.

29. Commitments

Operating Leases

Commitments in relation to operating lease expenditure contracted for at balance sheet date but not provided for in the financial statements.

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Payable:				
- Not later than one year	2,002	1,969	2,002	1,969
- Later than one year but not later than five years	2,028	4,031	2,028	4,031
- Later than five years	-	-	-	-
	4,030	6,000	4,030	6,000

The Consolidated Entity leases premises at Levels 7 and 8, 200 St George's Terrace (2011: Level 7 and 8, 200 St George's Terrace), Perth; Level 3, 492 St Kilda Road, Melbourne and Level 2, 167 Eagle Street, Brisbane under non-cancellable operating leases with commitments expiring from between one to five years. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated.

30. Key Management Personnel Disclosures

(a) Directors

The following persons were Directors of the Company during the financial year:

Non-executive Chairman

A W Lennon

Independent Non-executive Directors

S F Higgs

G W Sinclair

T J Allen (appointed 5 April 2012)

Executive Directors

B D Gore

A J Lennon (non-executive from 27 August 2012)

(b) Other key management personnel

The following persons also had authority and responsibility for planning and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
D J Cooper	Chief Operating Officer
P J Dumas	Head of Funds Management
D Scafetta	Group Company Secretary
M I Dolin	Chief Financial Officer (resigned 28 February 2012)
L Troncone	Acting Chief Financial Officer (contract commenced 29 February 2012 and contract completed 20 July 2012)

(c) Directors and other key management personnel compensation

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$	\$	\$	\$
Short-term employee benefits	3,076,189	4,053,330	3,076,189	4,053,330
Post employment benefits	320,326	138,968	320,326	138,968
Share-based payments	1,851,754	682,307	1,851,754	682,307
	5,248,269	4,874,605	5,248,269	4,874,605

Detailed remuneration disclosures are provided in note 14 within the Directors' Report

30. Key Management Personnel Disclosures (continued)

(d) Equity instrument disclosures relating to Directors and other key management personnel

Option and performance rights provided as remuneration

Details of options and performance rights provided as remuneration, together with terms and conditions of the options and performance rights, can be found in the remuneration report on pages 39 to 53.

Option and performance rights holdings

The number of options and performance rights over unissued ordinary shares in the Company held during the financial year by each Director of the Company and each of the other key management personnel of the Group, including their personally related entities, are set out below:

Directors		Balance at the start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
A W Lennon	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
S F Higgs	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
G W Sinclair	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
B D Gore	2012	4,315,166	1,137,500	-	(1,854,560)	3,598,106	1,634,561
	2011	3,659,121	826,045	-	(170,000)	4,315,166	-
A J Lennon	2012	665,343	144,375	-	(494,049)	315,669	59,049
	2011	435,000	230,343	-	-	665,343	-
T J Allen ¹	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
Other key management personnel							
D C Cooper	2012	937,567	454,688	-	(563,834)	828,421	128,835
	2011	692,669	244,898	-	-	937,567	-
P J Dumas	2012	847,533	431,250	-	(484,233)	794,550	124,233
	2011	608,466	239,067	-	-	847,533	-
D Scafetta	2012	459,317	227,500	-	(281,349)	405,468	61,350
	2011	342,699	116,618	-	-	459,317	-
L Troncone ²	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
M I Dolin ³	2012	-	262,500	-	(262,500)	-	-
	2011	-	-	-	-	-	-
M V Pisano ⁴	2012	-	-	-	-	-	-
	2011	477,699	-	-	(477,699)	-	-

1. Appointed 5 April 2012

2. Contract commenced 29 February 2012 and contract completed 20 July 2012

3. Appointed 6 July 2011 and resigned 29 February 2012

4. Resigned 23 December 2010

During the financial year nil options (2011: nil) were exercised by Directors or other key management personnel.

30. Key Management Personnel Disclosures (continued)

(d) Equity instrument disclosures relating to Directors and other key management personnel (continued)

Share holdings

The number of shares in the Company held during the financial year by each Director of the Company and each of the key management personnel of the Group, including their personally related entities, are set out below:

		Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors					
A W Lennon ¹	2012	81,153,656	-	1,488,761	82,642,417
	2011	80,141,446	-	1,012,210	81,153,656
S F Higgs	2012	400,000	-	-	400,000
	2011	400,000	-	-	400,000
G W Sinclair	2012	79,000	-	-	79,000
	2011	79,000	-	-	79,000
B D Gore	2012	-	-	55,000	55,000
	2011	-	-	-	-
A J Lennon ¹	2012	976,799	-	69,719	1,046,518
	2011	934,420	-	42,379	976,799
T L Allen ²	2012	-	-	70,000	70,000
	2011	-	-	-	-
Other key management personnel					
D J Cooper	2012	4,000	-	30,000	34,000
	2011	4,000	-	-	4,000
P J Dumas	2012	-	-	-	-
	2011	-	-	-	-
D Scafetta	2012	284,000	-	-	284,000
	2011	284,000	-	-	284,000
L Troncone ³	2012	-	-	-	-
	2011	-	-	-	-
M I Dolin ⁴	2012	-	-	-	-
	2011	-	-	-	-
M V Pisano ⁵	2012	-	-	-	-
	2011	-	-	-	-

1. AW Lennon and AJ Lennon are beneficiaries of the Gwenton Trust, which is a discretionary family trust. AW Lennon holds 26,845 shares in his own name, 50,033 shares as trustee for the Trofie Superfund, 524,520 via G&T (WA) Pty Ltd as the trustee for the G&T Superannuation Fund and 82,041,019 in the name of Scorpio Nominees Pty Ltd as trustee for the Gwenton Trust. AW Lennon is a Director and shareholder of Scorpio Nominees Pty Ltd and G&T (WA) Pty Ltd.

2. Appointed 5 April 2012

3. Contract commenced 29 February 2012 and contract completed 20 July 2012

4. Appointed 6 July 2011 and resigned 29 February 2012

5. Resigned 23 December 2010

31. Related Parties

(a) Parent Entity

Peet Limited is the ultimate Australian Parent Entity.

(b) Controlled entities

Interests in significant controlled entities are set out in note 35. Interests held in associates and jointly controlled entities are set out in note 34.

(c) Key management personnel

Details relating to the key management personnel, including remuneration paid, are included in note 30.

(d) Transactions with related parties

Transactions with subsidiaries

Transactions between the Company and other entities in the wholly owned Group consisted of loans advanced and distributions received from subsidiaries. There are no interest charges or fixed terms for the repayment of loans advanced by the Company.

During the year ended 30 June 2012 the Company derived the following revenue and fees from its subsidiaries

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$	\$	\$	\$
Dividend revenue	-	-	-	-

Tax consolidation regime

The Company has recognised (\$5,223,099), (2011: \$15,002,239) in respect to its subsidiaries' contributions towards the Group's tax obligations as set out in the tax sharing and funding agreement.

The Company has recognised a tax consolidation distribution from wholly owned tax consolidated entities for the year ended 30 June 2012 of \$9,050,612 (2011: \$4,974,134). The tax consolidation distribution arose as a result of a transfer of tax losses to the Parent Entity for no compensation and is included as other income of the Parent Entity.

Transactions with associates and jointly controlled entities

During the year ended 30 June 2012, the Company derived the following revenue and fees from associates and jointly controlled entities:

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$	\$	\$	\$
Revenue from sale of land	-	6,700,000	-	-
Project management and performance fees	26,038,249	43,399,675	18,907,884	35,812,977
Syndicate underwriting and capital raising fees	465,142	1,603,005	2,665,142	2,153,005
Syndicate administration fees	1,650,586	1,155,426	1,356,355	1,182,926
Dividends	343,660	235,037	343,660	235,037
Interest	4,102,756	2,808,771	1,981,353	1,754,377
	32,600,393	55,901,914	25,254,394	41,138,322

31. Related Parties (continued)

(e) Outstanding balances

Aggregate amounts of advances receivable from and payable to subsidiaries at balance date are as follows:

	NOTES	PARENT ENTITY	
		2012	2011
		\$	\$
Payable to subsidiaries			
Current	19	5,223,099	-
Non-current	19	1,767	1,767
Total payable to subsidiaries		5,224,866	1,767
Receivable from subsidiaries			
Current			
Tax funding agreement	9	-	8,941,135
Trade and sundry debtors		174,436	2,872,208
		174,436	11,813,343
Non-current			
Loans to subsidiaries - note (a)	16	204,494,193	189,381,018
Total receivable from subsidiaries		204,668,629	201,194,361

(a) The amounts owing are unsecured, interest free and repayable on demand however it is not anticipated that these amounts will be requested for repayment within the next twelve months. The purpose of the advances to the various entities is to allow the purchase and potential development of broad acre land and is considered a part of the project management services performed by the parent for its subsidiaries.

	PARENT ENTITY	
	2012	2011
	\$	\$
Movements in loans to subsidiaries		
Beginning of the year	189,381,018	128,943,977
Loans advanced	14,420,409	116,257,355
Loan repayments received	(735,133)	(60,068,402)
Notional debt allocation	1,427,899	4,248,088
End of year	204,494,193	189,381,018

Aggregate amounts receivable from associates at balance date are as follows:

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2012	2011	2012	2011
		\$	\$	\$	\$
Current					
Trade and other receivables		22,343,898	31,240,774	14,178,720	29,636,294
Loans to associates and jointly controlled entities	9	6,148,356	28,086,124	6,148,356	8,955,118
		28,492,254	59,326,898	20,327,076	38,591,412
Non-current					
Loans to associates and jointly controlled entities	9	36,027,443	11,656,141	12,139,605	7,089,430
Total amount owing by associates and jointly controlled entities		64,519,697	70,983,039	32,466,681	45,680,842

Movements in loans to associates and jointly controlled entities:

Beginning of the year	39,742,265	24,369,178	16,044,548	18,314,822
Loans advanced to associates	18,783,188	31,926,950	13,272,418	12,058,589
Loan repayments from associates	(10,488,578)	(21,711,799)	(9,998,004)	(14,531,799)
Vendor finance	(4,830,076)	4,955,000	-	-
Other	(1,031,000)	202,936	(1,031,000)	202,936
End of year	42,175,799	39,742,265	18,287,962	16,044,548

31. Related Parties (continued)

e) Outstanding balances (continued)

Trade and other receivables include amounts owing by associates in respect of project management fees, performance fees and accrued commission receivable on sales. Unless otherwise agreed outstanding balances at year end, including loans advanced to associates are unsecured, interest free and repayable on demand. There have been no guarantees provided or received for any related party receivable.

The Group has agreed to provide certain associates of the Group with short-term working capital loan facilities on commercial terms. Details of these loans are as follows:

ASSOCIATE	LOAN FACILITY LIMIT	INTEREST RATE	EXPIRY DATE
Peet Tri State Syndicate Limited	\$13,000,000	4% above BBSY per annum	01 Nov 13
Peet Beachton Syndicate Limited	\$13,000,000	4% above BBSY per annum	02 Oct 12
Peet Bayonet Head Syndicate Limited	\$1,200,000	4% above BBSY per annum	02 Oct 13
Peet Forrestdale Syndicate Limited	\$3,000,000	4% above BBSY per annum	02 Oct 12

During the year the Group provided net financial support of \$305,704 (2011:\$2,204,000) to Peet & Co Casey Land Syndicate Limited. As at the date of signing this report documentation in regards to the funds provided has yet to be finalised.

In January 2012 the two subordinate loans previously provided (\$2,161,000 in July 2010 and \$2,130,000 in October 2009) to Peet Alkimos Pty Limited were amalgamated into one subordinate loan agreement at an interest rate of 14% per annum, and is due to expire December 2014. In addition and as part of the restructure, the Group also provided a further loan of \$538,185 on the same terms.

The Group continues to provide a bank guarantee facility to Peet Alkimos Pty Limited, an associate of the Group. The facility is for \$5,000,000 and is due to expire in December 2012. A procurement fee equal to 6% per annum on the face value of all bank guarantees issued is payable by Peet Alkimos Pty Limited on the expiry of the agreement.

The Group has provided loans to Peet Caboolture Syndicate Limited totalling \$5,886,000 (2011: \$5,522,000) These loans represents Peet's 20% towards repaying the syndicate's \$29,431,485 (2011: \$27,610,000) debt facility, with the other shareholder also contributing funds. Interest on the loans are 3% and 5% above BBSY per annum (2011: interest free). The loans have fixed expiry dates in tranches commencing July 2013 and completing in December 2016.

The Group provided a Guarantee and Indemnity to National Australia Bank in order for Peet Caboolture Syndicate Limited to receive an \$11,000,000 bank guarantee facility from National Australia Bank. The facility enabled the syndicate to receive funding for the construction of an entry bridge into the project. Peet Limited is liable for 20% of any call made under the guarantee and indemnity, with the other shareholders liable for the remaining 80%.

Allowance for impairment loss on trade receivables

For the year ended 30 June 2012, the Group has made an allowance for impairment losses of \$319,324 relating to an amount owed by related party Peet & Co Casey Land Syndicate Limited. The impairment reflects the recoverability of the loan on wind up of the syndicate. No other loans have required impairment for the year ended 30 June 2012 (2011: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for impairment loss.

32. Matters Subsequent to the End of the Financial Year

Subsequent to year end the Group has renegotiated the terms of its debt facilities with its Lenders. The renegotiated terms more closely align with the Group's stated strategy to strengthen its balance sheet and reduce debt.

The Group was compliant with all banking covenants under the existing debt facilities, including having maintained significant headroom on its gearing covenants.

The Group has agreed the following covenant package:

- No Interest Cover Ratio ("ICR") covenant to apply until 30 September 2013 after which the ICR covenant becomes 1.25 times until 31 March 2014 and 2.25 times thereafter.
- Gearing covenant to step down from 52.5% (including Peet unsecured convertible notes) currently, to 40% by 1 January 2014 in stages.
- Debt facility limit (excluding Peet unsecured convertible notes) reduced to \$200 million by 30 June 2014.

Consistent with our strategy to reduce gearing and our intention to apply the proceeds of contracted sales of non-core assets to retire debt, since lodging its Appendix 4E and Preliminary Consolidated Financial Statements in August, the directors have reclassified \$38 million of drawn debt from non-current to current borrowings.

Except for the renegotiated debt facility discussed above, 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.

33. Cash Flow Information

(a) Reconciliation of cash and cash equivalents

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash at bank and cash on hand	22,613	57,201	7,860	16,961
	22,613	57,201	7,860	16,961

Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Balances as above	22,613	57,201	7,860	16,961
Asset classified as held for sale - cash at bank	182	705	-	-
Balances per statement of cash flows	22,795	57,906	7,860	16,961

(b) Reconciliation of profit after income tax to net cash (outflow)/inflow from operating activities

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Profit for the year	5,261	22,206	7,031	12,579
Add/(deduct) non cash items:				
Depreciation	2,564	1,620	1,478	787
Amortisation of intangible assets	125	5	77	5
Write-down of inventories and development costs	21,248	31,251	-	468
Employee share-based payments	1,974	743	1,974	743
Equity accounting for investments in associates	(11)	1,773	-	-
Provision for doubtful debts	319	-	319	-
Amortisation of closed out hedges	131	1,441	131	1,441
Convertible notes effective interest	844	211	844	211
Add/(deduct) other items:				
Dividend income classified as cash flows from investing (235)	(344)	(235)	(344)	
Interest received	(4,796)	(4,469)	(1,961)	(2,104)
Change in operating assets and liabilities during the financial year				
(Increase) in asset classified as held for sale	(5,381)	(68,521)	-	-
Decrease/(increase) in receivables	3,559	(3,626)	13,908	(6,605)
(Increase) in inventories	(27,952)	(34,282)	(1,550)	(3,363)
(Decrease)/increase in tax liabilities	(3,171)	2,061	(3,171)	2,061
(Decrease)/increase in payables	(6,268)	(8,989)	2,962	569
(Decrease)/increase in provisions	528	(608)	42	47
(Decrease)/increase in deferred tax liabilities	8,286	(3,019)	(2,919)	720
(Decrease)/increase in liabilities directly associated with assets classified as held for sale	(5,545)	259	-	-
Net cash inflow/(outflow) from operating activities	(8,629)	(62,179)	18,821	7,324

34. Investments in Associates and Jointly Controlled Entities

Name of Associate or Jointly Controlled Entity	OWNERSHIP INTEREST		CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011	2012	2011
	%	%	\$'000	\$'000	\$'000	\$'000
Peet & Co Casey Land Syndicate Limited	0.54	0.54	-	12	10	10
Peet Alkimos Pty Limited	13.81	13.62	25,391	24,348	26,713	25,260
Peet Baldvis Syndicate Limited (in liquidation) ¹	0.39	0.39	-	1	1	1
Peet Bayonet Head Syndicate Limited	0.56	0.56	(5)	(2)	6	6
Peet Beachton Syndicate Limited	0.31	0.31	(2)	3	48	46
Peet Botanic Village Syndicate Limited	0.69	0.69	115	116	126	125
Peet Byford Syndicate Limited	0.15	0.15	13	12	14	13
Peet Caboolture Syndicate Limited	20.00	20.00	3,010	1,244	3,601	1,600
Peet Cardinia Lakes Syndicate Limited	0.21	0.21	39	40	39	42
Peet Cranbourne Syndicate Limited	1.56	1.56	292	277	312	311
Peet Cranbourne Central Syndicate Limited	0.05	0.05	10	9	11	10
Peet Flagstone City Pty Limited ²	50.00	50.00	47,004	4,606	-	-
Peet Forrestdale Syndicate Limited	0.70	0.70	13	16	23	23
Peet Mandurah Syndicate Limited	1.25	1.25	182	191	80	80
Peet Mundijong Syndicate Limited	0.22	0.22	51	51	53	52
Peet Oakford Land Syndicate Limited	0.37	0.37	5	6	7	7
Peet Point Cook Kingsford Syndicate	0.22	0.22	48	50	37	42
Peet Tarneit Gardens Syndicate Limited	1.29	1.29	114	142	92	91
Peet Tarneit Rise Syndicate Limited	0.33	0.33	23	29	23	22
Peet Tri State Syndicate Limited	24.43	24.43	3,843	3,910	7,273	7,270
Peet Warner Lakes Syndicate Limited	1.56	1.56	456	340	270	270
Peet Windsor Park Syndicate Ltd	0.07	0.07	3	9	1	1
Peet Yanchep Pty Limited ²	50.00	50.00	11,192	700	-	-
Other			-	14	-	14
			91,797	36,124	38,740	35,296

1. This syndicate's land development project came to a successful end and was placed in a members' voluntary liquidation.

2. These are jointly controlled entities accounted for using the equity method.

The Group has significant influence over the property syndicates due to its key role as development manager.

(a) Movements in carrying amounts of investments in associates and jointly controlled entities

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the financial year	36,124	32,640	35,296	35,304
Acquisitions	56,002	5,336	3,453	30
Disposals/capital returns	(11)	(38)	(11)	(38)
Share of profit/(loss) after income tax (b)	11	(1,773)	-	-
Share of associates reserves	(329)	(41)	-	-
Carrying amount at the end of the financial year	91,797	36,124	38,738	35,296

34. Investments in Associates and Jointly Controlled Entities (continued)

(b) Share of associates and jointly controlled entities profit/(loss)

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Share of associates profit/(loss) (c)	11	(1,773)

(c) Summarised financial information of associates and jointly controlled entities

NAME OF ASSOCIATES OR JOINTLY CONTROLLED ENTITY	AS AT 30 JUNE 2012 GROUP'S SHARE OF:			
	Assets	Liabilities	Revenues	Profit/(Loss)
	\$'000	\$'000	\$'000	\$'000
Peet & Co Casey Land Syndicate Limited	17	18	25	(12)
Peet Alkimos Pty Limited	57,309	31,919	4,242	(150)
Peet Baldivis Syndicate Limited (in liquidation) ¹	-	-	-	(1)
Peet Bayonet Head Syndicate Limited	24	29	3	(2)
Peet Beachton Syndicate Limited	63	67	10	(8)
Peet Botanic Village Syndicate Limited	199	85	-	(1)
Peet Byford Syndicate Limited	15	3	-	-
Peet Caboolture Syndicate Limited	10,146	7,137	10	(235)
Peet Cardinia Lakes Syndicate Limited	45	6	43	3
Peet Cranbourne Syndicate Limited	651	360	264	17
Peet Cranbourne Central Syndicate Limited	24	15	-	-
Peet Flagstone City Pty Limited ²	49,123	2,119	14	(351)
Peet Forrestdale Syndicate Limited	100	87	-	(2)
Peet Mandurah Syndicate Limited	347	165	124	(7)
Peet Mundijong Syndicate Limited	52	1	-	-
Peet Oakford Land Syndicate Limited	22	17	-	-
Peet Point Cook Kingsford Syndicate	64	15	84	6
Peet Tarneit Gardens Syndicate Limited	199	87	342	(29)
Peet Tarneit Rise Syndicate Limited	30	8	29	(8)
Peet Tri State Syndicate Limited	14,194	10,354	2,412	(13)
Peet Warner Lakes Syndicate Limited	629	173	469	116
Peet Windsor Park Syndicate Ltd	4	1	7	(6)
Peet Yanchep Pty Limited ²	12,929	1,737	13,915	694
	146,186	54,403	21,993	11

1. This syndicate's land development project came to a successful end and was placed in a members' voluntary liquidation.

2. These are jointly controlled entities accounted for using the equity method.

34. Investments in Associates and Jointly Controlled Entities (continued)

(c) Summarised financial information of associates and jointly controlled entities (continued)

NAME OF ASSOCIATES OR JOINTLY CONTROLLED ENTITY	AS AT 30 JUNE 2011 GROUP'S SHARE OF:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(Loss) \$'000
Peet & Co Casey Land Syndicate Limited	44	32	-	(6)
Peet Alkimos Pty Limited	56,879	32,531	6,585	(260)
Peet Baldivis Syndicate Limited (in liquidation) ¹	3	2	1	-
Peet Bayonet Head Syndicate Limited	28	28	5	(5)
Peet Beachton Syndicate Limited	71	70	1	(16)
Peet Botanic Village Syndicate Limited	185	69	-	(1)
Peet Byford Syndicate Limited	14	2	-	-
Peet Caboolture Syndicate Limited	7,888	6,644	2	(98)
Peet Cardinia Lakes Syndicate Limited	59	19	28	1
Peet Cranbourne Syndicate Limited	647	370	-	(12)
Peet Cranbourne Central Syndicate Limited	19	10	-	-
Peet Flagstone City Pty Limited ²	47,356	42,750	1	1
Peet Forrestdale Syndicate Limited	92	76	-	1
Peet Mandurah Syndicate Limited	398	207	147	(5)
Peet Mundijong Syndicate Limited	51	-	8	1
Peet Oakford Land Syndicate Limited	19	13	-	-
Peet Point Cook Kingsford Syndicate	73	23	53	11
Peet Tarneit Gardens Syndicate Limited	185	43	138	1
Peet Tarneit Rise Syndicate Limited	40	11	71	3
Peet Tri State Syndicate Limited	13,548	9,638	358	(1,359)
Peet Warner Lakes Syndicate Limited	588	248	621	(30)
Peet Windsor Park Syndicate Ltd	22	13	36	-
Peet Yanchep Pty Limited ²	12,700	12,000	-	-
	140,909	104,799	8,055	(1,773)

1. This syndicate's land development project came to a successful end and was placed in a members' voluntary liquidation.

2. These are jointly controlled entities accounted for using the equity method.

35. Subsidiaries

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (b):

NAME OF SUBSIDIARY	Place of Incorporation	Class of Share	HOLDING	
			2012 %	2011 %
At Cost				
Peet Innisfail Pty Limited	WA	Ordinary	100	100
Peet Craigieburn Pty Limited	WA	Ordinary	100	100
Peet Greenvale No 2 Pty Limited	WA	Ordinary	100	100
Peet Southern JV Pty Limited	WA	Ordinary	100	100
Peet Brigadoon Pty Limited	WA	Ordinary	100	100
Peet Ashton Heights Pty Limited	WA	Ordinary	100	100
Peet Queens Park JV Pty Limited	WA	Ordinary	100	100
Peet Baldivis Heights Pty Limited	WA	Ordinary	100	100
Secure Living Pty Limited	WA	Ordinary	100	100
Peet Skye Pty Limited	WA	Ordinary	100	100
Peet No 108 Pty Limited	WA	Ordinary	100	100
Peet No 112 Pty Limited	WA	Ordinary	100	100
Peet No 113 Pty Limited	WA	Ordinary	100	100
Peet Treasury Pty	WA	Ordinary	100	100
Peet Estates (VIC) Pty Ltd	WA	Ordinary	100	100
Peet Development Management Pty Limited	WA	Ordinary	100	100
Peet Estates (QLD) Pty Ltd	WA	Ordinary	100	100
Peet No 130 Pty Limited	WA	Ordinary	100	100
Peet Estates (WA) Pty Ltd	WA	Ordinary	100	100
Peet Yanchep Land Syndicate	WA	Trust Unit	66.4	66.4

(b) Deed of cross guarantee

Peet Limited and its 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 Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

35. Subsidiaries (continued)

(b) Deed of cross guarantee (continued)

(i) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

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

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the closed group consisting of Peet Limited and its wholly owned subsidiaries.

	2012 \$'000
Consolidated income statement	
Revenue	149,391
Land and development cost expense	(67,776)
Employee benefits expense	(16,448)
Depreciation and amortisation	(2,675)
Project management, selling and other operating costs	(12,159)
Office costs	(5,001)
Other expenses	(6,763)
Finance costs	(8,301)
Share of net profit/(loss) of associates accounted for using the equity method	11
Write-down in carrying value of inventories	(21,248)
Profit before income tax	9,031
Income tax expense	(657)
Profit for the year	8,374

(i) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained

	2012 \$'000
Consolidated statement of comprehensive income	
Profit for year	8,374
Other comprehensive income	
Changes in the fair value of cash flow hedges (including associates)	(8,889)
Income tax relating to components of other comprehensive income	2,667
Other comprehensive income for the year, net of tax	(6,222)
Total comprehensive income for the year	2,152

	2012 \$'000
Summary of movement in consolidated retained earnings	
Retained earnings at the beginning of the financial year	51,502
Profit for the year	8,374
Dividends provided for or paid	(14,312)
Retained earnings at the end of the financial year	45,564

35. Subsidiaries (continued)

(b) Deed of cross guarantee (continued)

(ii) Consolidated balance sheet

Set out below is a consolidated balance sheet at 30 June 2012 of the closed group consisting of Peet Limited and its wholly owned subsidiaries.

	2012 \$'000
Current assets	
Cash and cash equivalents	22,613
Receivables	45,143
Inventories	105,821
Total current assets	173,577
Non-current assets	
Receivables	39,449
Inventories	322,306
Investments accounted for using the equity method	91,797
Available-for-sale financial assets	462
Investments in Subsidiaries and Associates	34,973
Property, plant & equipment	10,608
Intangible assets	2,276
Total non-current assets	501,871
Total assets	675,448
Current liabilities	
Payables	38,143
Land vendor liabilities	12,109
Borrowings	860
Provisions	2,606
Total current liabilities	53,718
Non-current liabilities	
Land vendor liabilities	20,244
Borrowings	315,201
Derivative financial instruments	7,435
Deferred tax liabilities	28,832
Provisions	44
Total non-current liabilities	371,756
Total liabilities	425,474
Net assets	249,974
Equity	
Contributed equity	203,713
Reserves	697
Retained earnings	45,564
Total equity	249,974

36. Interests in Jointly Controlled Operations

(a) Details of aggregate share of assets and liabilities of jointly controlled operations

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
<hr/>		
The Village at Wellard		
Total Assets	34,999	31,794
Total Liabilities	(23,887)	(22,063)
Net Assets	11,112	9,731

(b) Details of aggregate share of revenue, expenses and results of jointly controlled operations

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
<hr/>		
The Village at Wellard		
Revenue	17,590	15,514
Expenses	(15,616)	(9,487)
Profit before income tax	1,974	6,027

37. Earnings Per Share

(a) Earnings per share

	CONSOLIDATED	
	2012	2011
	Cents	Cents
Basic Earnings per share	1.7	7.3
Diluted Earnings per share	1.7	6.8

(b) Reconciliation of earnings used in calculating earnings per share

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	5,437	22,147
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company:		
Used in calculating basic earnings per share	5,437	22,147
Add: interest savings on convertible Peet Notes	-	148
Used in calculating diluted earnings per share	5,437	22,295

(c) Weighted average number of shares used in the denominator

	CONSOLIDATED	
	2012	2011
	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	319,535,646	302,404,570
Adjustments for calculation of diluted earnings per share:		
Options	1,200,000	3,830,000
Convertible Notes	-	22,222,222
	1,200,000	26,052,222
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	320,735,646	328,456,792

38. Share Based Payments

(a) Employee Share Option Plan (ESOP) and Performance Rights Plan (PRP)

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

Exercise conditions

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 ESOP and performance rights under the PRP 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 ESOP and PRP 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.

38. Share Based Payments (continued)

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR No.	GRANTED DURING THE YEAR No.	EXERCISED DURING THE YEAR No.	LAPSED/ FORFEITED DURING THE YEAR No.	BALANCE AT END OF THE YEAR No.	EXERCISABLE AT END OF THE YEAR No.
Consolidated and Parent Entity - 2012								
Options								
30 Nov 07	30 Nov 13	\$4.10	1,200,000	-	-	-	1,200,000	1,200,000
18 Dec 08	18 Dec 14	\$2.50	2,630,000	-	(2,630,000)	-	-	-
			3,830,000	-	-	(2,630,000)	1,200,000	1,200,000
Performance rights								
18 Dec 08	18 Dec 14	\$0.00	240,000	-	-	(240,000)	-	-
11 Feb 10	11 Feb 15	\$0.00	869,121	-	-	(434,560)	434,561	434,561
28 Jun 10	28 Jun 15	\$0.00	697,852	-	-	(348,925)	348,927	348,927
24 Dec 10	24 Dec 15	\$0.00	1,896,767	-	-	(59,049)	1,837,718	59,049
16 Jan 12	16 Jan 17	\$0.00	-	3,120,313	-	(262,500)	2,857,813	-
			3,703,740	3,120,313	-	(1,345,034)	5,479,019	842,537
Total			7,533,740	3,120,313	-	(3,975,034)	6,679,019	842,537
Weighted average exercise price			\$2.04	\$0.00		\$2.27	\$1.11	

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR No.	GRANTED DURING THE YEAR No.	EXERCISED DURING THE YEAR No.	LAPSED/ FORFEITED DURING THE YEAR No.	BALANCE AT END OF THE YEAR No.	EXERCISABLE AT END OF THE YEAR No.
Consolidated and Parent Entity - 2011								
Options								
17 Aug 05	17 Aug 10	\$1.71	20,000	-	-	(20,000)	-	-
1 Sep 05	1 Sep 10	\$2.04	210,000	-	-	(210,000)	-	-
8 Feb 06	8 Feb 11	\$2.81	100,000	-	-	(100,000)	-	-
2 May 06	2 May 11	\$3.09	20,000	-	-	(20,000)	-	-
24 May 06	24 May 11	\$3.42	50,000	-	-	(50,000)	-	-
30 Nov 07	30 Nov 13	\$4.10	1,200,000	-	-	-	1,200,000	-
18 Dec 08	18 Dec 14	\$2.50	2,930,000	-	-	(300,000)	2,630,000	-
			4,530,000	-	-	(700,000)	3,830,000	-
Performance rights								
18 Dec 08	18 Dec 14	\$0.00	265,000	-	-	(25,000)	240,000	-
11 Feb 10	11 Feb 15	\$0.00	869,121	-	-	-	869,121	-
28 Jun 10	28 Jun 15	\$0.00	820,551	-	-	(122,699)	697,852	-
24 Dec 10	24 Dec 15	\$0.00	-	1,896,767	-	-	1,896,767	-
			1,954,672	1,896,767	-	(147,699)	3,703,740	-
Total			6,484,672	1,896,767	-	(847,699)	7,533,740	-
Weighted average exercise price			\$2.04	\$0.00		\$2.04	\$1.53	

38. Share Based Payments (continued)

Fair value of options and performance rights granted

The fair value of an option 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 options granted under the ESOP and performance rights under the PRP were:

GRANT DATE	EXERCISE PRICE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXPECTED PRICE VOLATILITY OF SHARES	RISK FREE INTEREST RATE	ASSESSED FAIR VALUE
Options						
17 Aug 05	\$1.71	17 Aug 10	\$1.71	30%	5.08%	\$0.23
1 Sep 05	\$2.04	01 Sep 10	\$2.04	30%	4.99%	\$0.22
8 Feb 06	\$2.81	08 Feb 11	\$2.81	30%	5.25%	\$0.57
2 May 06	\$3.09	02 May 11	\$3.09	30%	5.69%	\$0.68
24 May 06	\$3.42	24 May 11	\$3.42	30%	5.64%	\$0.78
30 Nov 07	\$4.10	30 Nov 13	\$3.90	30%	6.46%	\$1.12
18 Dec 08	\$2.50	18 Dec 14	\$1.49	28%	3.15%	\$0.07
Performance rights						
18 Dec 08	\$0.00	18 Dec 14	\$1.49	32%	3.41%	\$1.08
11 Feb 10	\$0.00	11 Feb 15	\$2.10	41%	4.91%	\$2.08
28 Jun 10	\$0.00	28 Jun 15	\$2.08	41%	4.53%	\$1.86
24 Dec 10 ¹	\$0.00	24 Dec 15	\$1.82	40%	5.57%	\$1.58
24 Dec 10	\$0.00	24 Dec 15	\$1.98	41%	5.59%	\$1.75
15 Nov 11	\$0.00	16 Jan 17	\$1.04	0%	4.00%	\$0.81
16 Jan 12	\$0.00	16 Jan 17	\$0.85	0%	3.09%	\$0.64

1. Under AASB 2 Share-based payment 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 performance rights is based on 16 November 2010 and 15 November 2011, being the dates of Peet Limited's AGM.

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.

38. Share Based Payments (continued)

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Options and Performance Rights issued under the ESOP and PRP, respectively	1,974	743	1,974	743

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 56 to 132 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 Company's and Consolidated Entity's financial position as at 30 June 2012 and of their 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.

Note 1 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Brendan Gore

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Perth, Western Australia

28 September 2012



Independent auditor's report to the members of Peet Limited

Report on the financial report

We have audited the accompanying financial report of Peet Limited (the company), which comprises the statements of financial position as at 30 June 2012, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Peet Limited and the Peet Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
QV1, 250 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Independent auditor's report to the members of Peet Limited (continued)

Auditor's opinion

In our opinion:

- (a) the financial report of Peet Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 39 to 53 of the directors' report for the year ended 30 June 2012. 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.

Auditor's opinion

In our opinion, the remuneration report of Peet Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

David J Smith
Partner

Perth
28 September 2012

Securityholder Information

Distribution of ordinary shares and unsecured convertible notes

As at 12 September 2012 there were 3,099 current holders of ordinary shares and 430 current holders of June 2015 9.5% unsecured redeemable convertible notes. These holdings were distributed in the following categories:

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	% OF ISSUED SHARES	NUMBER OF NOTEHOLDERS	% OF ISSUED NOTES
1 – 1,000	307	0.05	383	27.77
1,001 – 5,000	1,033	1.01	30	12.50
5,001 – 10,000	726	1.73	8	13.20
10,001 – 100,000	946	7.51	9	46.53
100,001 and over	87	89.70	0	0.00
	3,099	100.00	430	100.00

There were 204 shareholdings of less than a marketable parcel of \$500 (715 shares).

There were Nil noteholdings of less than a marketable parcel of \$500 (six notes).

Security holders

The names of the twenty largest holders of ordinary shares as at 12 September 2012 are listed below:

NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
Scorpio Nominees Pty Ltd <Gwenton A/c>	81,816,019	25.49
National Nominees Limited	31,382,551	9.78
JP Morgan Nominees Australia Limited	30,710,475	9.57
Citicorp Nominees Pty Ltd	24,296,545	7.57
Mr IMC Palmer & Mrs HC Palmer	23,307,352	7.26
Mr WD Hemsley	20,605,000	6.42
HSBC Custody Nominees (Australia) Limited	15,012,806	4.68
MF Custodians Ltd	12,707,962	3.96
UBS Nominees Pty Ltd <PB SEG A/C>	8,413,878	2.62
Argo Investments Limited	7,612,727	2.37
BNP Paribas Nominees Pty Ltd <Master Cust DRP>	3,967,165	1.24
Jove Pty Ltd	2,018,323	0.63
UBS Nominees Pty Ltd	1,597,075	0.49
UBS Wealth Management Australia Nominees Pty Ltd	1,545,337	0.48
Mr LJ Peet	1,510,638	0.47
AJA Investments Pty Limited <OAPT A/C>	1,300,000	0.40
Ms GE Lennon	1,267,998	0.39
HSBC Custody Nominees (Australia) Limited – A/C 3	1,262,866	0.39
QIC Limited	1,111,671	0.35
RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/c>	972,356	0.30
Total for 20 largest shareholders	272,418,744	84.86
Total other shareholders	48,594,397	15.14
Total ordinary shares on issue	321,013,141	100.00

Securityholder Information (continued)

The names of the twenty largest holders of unsecured convertible notes as at 12 September 2012 are listed below:

NAME	NUMBER OF NOTES HELD	% OF ISSUED NOTES
HSBC Custody Nominees (Australia) Limited	53,190	10.64
Argo Investments Limited	32,500	6.50
Grizzly Holdings Pty Ltd	26,400	5.28
Australian Foundation Investment Company Limited	26,000	5.20
Djerriwarrh Investments Limited	26,000	5.20
Finot Pty Ltd	20,000	4.00
UBS Wealth Management Australia Nominees Pty Ltd	19,223	3.85
Contemplator Pty Ltd <ARG Pension Fund A/C>	15,286	3.06
Pan Australian Nominees Pty Limited	14,071	2.81
Atkone Pty Ltd	10,000	2.00
UBS Nominees Pty Ltd	10,000	2.00
JP Morgan Nominees Australia Limited <Cash Income A/C>	10,000	2.00
Mr R Ferguson, Ms J Ferguson & Ms R Ferguson <Torryburn S/F A/C>	8,000	1.60
Lily Investments Pty Ltd	7,500	1.50
Farallon Capital Pty Ltd <Nunn Investment A/C>	7,000	1.40
P Ilhan Investments Pty Ltd <Patricia Ilhan Family A/C>	7,000	1.40
Mirrabooka Investments Limited	6,500	1.30
AJA Investments Pty Limited <Foundation Invest SF A/C>	4,320	0.86
Stitching Pty Ltd <SSG Superannuation Fund A/C>	4,100	0.82
AJA Investments Pty Limited <The Pridham Children's A/C>	4,071	0.81
Total for 20 largest noteholders	311,161	62.23
Total other noteholders	188,839	37.77
	500,000	100.00

Securityholder Information (continued)

Substantial shareholders

As disclosed in substantial holding notices lodged with ASX (as applicable) at 12 September 2012:

NAME	DATE OF LAST NOTICE RECEIVED	NUMBER OF SHARES HELD	% OF ISSUED SHARES ¹
Scorpio Nominees Pty Ltd and its associates	15 Jul 2011	83,671,826	26.31
Allan Gray Australia Pty Ltd and its related bodies corporate	2 July 2012	26,798,383	8.37
Mr IMC Palmer & Mrs HC Palmer	23 Apr 2009	23,689,552	8.43
Eley Griffiths Group	23 Dec 2011	20,704,075	6.47
Mr WD Hemsley & Associates	22 Apr 2009	20,063,600	7.14
Commonwealth Bank of Australia and its subsidiaries	13 Jul 2012	16,389,411	5.12

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

Voting rights of Ordinary Shares

The constitution provides for votes to be cast:

- (i) on a show of hands, one vote for each shareholder; and
- (ii) on a poll, one vote for each fully paid ordinary share.

Voting rights of Convertible Notes

Noteholders have certain rights to vote at meetings of noteholders but are not entitled to vote at general meetings, unless provided for by the ASX Listing Rules or the Corporations Act 2001.

Securities Exchange Listing

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

Options and Performance Rights

As at 12 September 2012, Peet Limited had 3,830,000 options on issue, held by five key management personnel, as disclosed elsewhere in the Annual Report.

As at 12 September 2012, Peet Limited had 4,876,482 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, Non Executive Chairman

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

Stephen Higgs BEc (Syd), Independent Non-executive Director

Graeme Sinclair BComm, CA, ACIS, ACSA, FAICD, Independent Non-executive Director

Trevor Allen BCom (Hons), CA, FF, MAICD, Independent Non-executive Director

Anthony Lennon BA, Grad Dip Bus Admin MAICD, 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 2, 45 St Georges Terrace

Perth, Western Australia 6000

Tel. (08) 9323 2000

Auditor

PricewaterhouseCoopers

QV1, 250 St Georges Terrace

Perth, Western Australia 6000

Notes

PEET

Peet Limited

ACN 008 665 834
Level 7, 200 St Georges Terrace Perth WA 6000
Telephone (08) 9420 1111 | Facsimile (08) 9481 4712
www.peet.com.au