

27 February 2006

Australian Stock Exchange Limited  
Exchange Centre  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

### **HALF YEAR REPORTING**

Peet & Company Limited is pleased to release its financial results for the half-year ended 31 December 2005. Please find attached:

- News release to the market
- Appendix 4D
- Half Year Financial Statements

Yours faithfully

**PEET & COMPANY LIMITED**



**DOM SCAFETTA**  
**COMPANY SECRETARY**

enc

**PERTH – REGISTERED OFFICE**

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• **PERTH**

• **MELBOURNE**

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# NEWS RELEASE

## Peet records \$17.1 million half-year result

Diversified property group Peet & Company Ltd (ASX: PPC) has announced a net profit after tax of \$17.1 million for the half-year to 31 December 2005. Managing Director Warwick Hemsley said this result sees the company well on track to deliver its previously advised full year net profit after tax (NPAT) growth of 10% (\$34.8m).

An interim dividend of 7.5 cents per share fully franked has been declared, which represents a 50% increase on the previous interim dividend. The record date for the interim dividend is Monday 20 March 2006 and the payment date is Wednesday 19 April 2006.

The company has not activated its Dividend Reinvestment Program. It remains focussed on its capital efficient business model and is committed to earnings per share growth as the key driver of value for shareholders.

Other highlights include:

- First half earnings per share of 8.5 cents.
- Low gearing (Net Bank Debt/Total Tangible Assets, adjusted for market value) of 30%.
- Sold more than 1,300 lots (a record) across the Group, including managed entities for the half-year.
- Strong acquisition activity for the period.
- Strong positive cash flows are anticipated for the balance of the year based on current sales contracts alone.
- Successful syndication of a new \$22 million land parcel in record time.

Mr Hemsley said that the group had continued to build on the FY2005 result over this half-year.

“Expansion and diversification of the group’s business activities are on track. A range of new land acquisitions have been made and new syndicate capital raisings are among key drivers of business activity in the coming 12 months,” he said.

“We continue to deliver quality returns to investors based on the long proven strength and diversity of our business model and our highly experienced management team.”

“We have a sound business platform which is underpinned by conservative gearing well within the Board’s target range, leaving ample scope for expansion as opportunities arise.

*(continued over page)*

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Mr Hemsley said the Peet group was continuing to concentrate on broadening its income streams with its new Peet Income Property Fund and growing its asset base by actively looking for new acquisitions.

“We are on a positive path to becoming a truly national funds management company specialising in the property sector.”

“We have substantial offices in Perth and Melbourne. Our Brisbane office is currently being expanded and we have just opened an office in Sydney to optimise interaction with major financial planning groups as we continue our drive to grow funds under management.”

“Meanwhile we are continuing our expansion into the retirement/lifestyle village market having identified a range of sites within our landbank in Western Australia, Victoria and Queensland.”

Mr Hemsley said that the Peet group has made a range of recent land acquisitions in Western Australia, Queensland and Victoria with a view to offering further syndicate opportunities to investors in the near term.

The most recent syndicate by the Peet group was for a 66ha parcel of land at Cranbourne in Melbourne’s southeast. It closed heavily oversubscribed in December 2005 having raised the required \$20 million in nine working days.

Mr Hemsley said that many Peet land holdings in Melbourne had been positively impacted by the alterations in Urban Growth Boundaries in that city with nearly all parcels now completely inside the new boundaries.

“Peet currently acts as project manager and marketing agent for more than 40 land development projects in Western Australia, Victoria, New South Wales and Queensland. The combined total number of lots still to be produced and sold in the various estates represents over 26,000 residential lots. The subdivided sales of the remaining lots in these estates in today’s prices would realise in excess of \$4 billion.

During this half-year period the company achieved record residential lot sales. More than 1,300 lots sold grossing over \$193 million across the group, including its managed entities. At the end of the period the group had in excess of 1,320 lots that had sold and were awaiting settlement.

Mr Hemsley said that the residential land market in WA had continued positively with Peet estates experiencing sound sales. In Victoria, demand for residential land has remained steady while Queensland was softer but expected to firm as factors such as continued population growth kicked in. Peet had limited exposure to the NSW market where conditions had been toughest.

Mr Hemsley noted that a key differentiator of Peet as compared to the property trust sector was that dividends paid by the company are fully franked.

*(continued over page)*

## **OUTLOOK**

Mr Hemsley said: “These positive interim results are in line with our strategy to leverage our landbank and our expertise into an expanded range of property and fund management services to ensure future growth and returns to our shareholders.”

“We remain well positioned to continue to grow our business through new land syndicates, more joint venture projects and expansion of the income property funds management business with many opportunities within our land bank for retail, medical and child-care centres as well as retirement housing opportunities.”

Refer to the attached Appendix 4D and the independently reviewed half-year report for a more detailed analysis of the Company’s result.

**Appendix 4D – Half Year Report**  
**Peet & Company Limited**  
**For the half year ended 31 December 2005**

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**Details of reporting periods**

|                         |                  |
|-------------------------|------------------|
| Current:                | 31 December 2005 |
| Previous Corresponding: | 31 December 2004 |

**Results for announcement to the market**

|  |    |        |    |  | <b>\$'000</b> |
|--|----|--------|----|--|---------------|
| Revenue  | up | 121.8% | to |  | 55,315        |
| Profit attributable to the members of Peet & Company Limited | up | 67.1%  | to |  | 17,084        |

This is Peet & Company Limited's first financial reporting period to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS"). AASB 1 "First time Adoption of Australian Equivalents to International Financial Reporting Standards" has been applied in preparing this financial result.

| Dividends/distributions       | Amount per security | Franked amount per security |
|-------------------------------|---------------------|-----------------------------|
| Interim dividend/distribution | 7.5 cents           | 100%                        |
| Previous corresponding period | 5.0 cents           | 100%                        |

|   |               |
|---|---------------|
| Record date for determining entitlements to the dividend/distribution | 20 March 2006 |
|---|---------------|

**PEET & COMPANY LIMITED  
ABN 56 008 665 834  
HALF YEAR CONSOLIDATED  
FINANCIAL REPORT  
31 DECEMBER 2005**

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The directors present their report on the consolidated entity consisting of Peet & Company Limited (Company) and the entities it controlled (Group) during the half year ended 31 December 2005.

**Directors**

The directors of Peet & Company Limited during the whole of the half year and up to the date of this report are;

**Name**

*Non-executive Directors*

Tony Lennon  
Stephen Higgs  
Graeme Sinclair

*Executive Directors*

Warwick Hemsley  
Anthony Lennon

**Review of Operations**

The Company achieved a profit after tax of \$17.1 million for the half-year to 31 December 2005, reflecting a 67% increase on the previous corresponding period.

Basic earnings per share increased by 67%, from 5.1 cents to 8.5 cents.

The Company achieved an excellent result for the half year period, driven by solid profits from each of the operating divisions, a strong balance sheet and a continued focus on consistently delivering the Company's strategy of leveraging its expertise into an expanded range of property and fund management services.

Expansion and diversification of the Company's business activities is on track and a range of new land acquisitions and syndicate capital raisings are among the key drivers of business activity in the following twelve months.

The Company's track record of consistently delivering quality returns to shareholders is underpinned by the strength and diversity of its business model, its high calibre management team and its capability to manage through changing market cycles.

Peet and Company is in strong shape at the end of this half year, with gearing maintained at a conservative 27%.

**Summary of Financial Highlights**

- Profit after tax increased by 67% on the previous corresponding period to \$17.1m
- EPS increased by 67% to 8.5 cents
- DPS increased by 50% to 7.5 cents
- Gearing ratio of 30% (net bank debt/total assets – adjusted for market value)

Review of Operations (continued)

Operational Highlights

| Half Year to 31 December (\$'000)                            | Half Year                |                          |
|--|--------------------------|--------------------------|
|  | 2005<br>Actual<br>\$'000 | 2004<br>Actual<br>\$'000 |
| Revenue  | 54,735                   | 24,525                   |
| Expenses   | (29,475)                 | (10,067)                 |
| EBIT   | 25,260                   | 14,458                   |
| Net interest income / (expense)                              | (1,060)                  | (138)                    |
| Income tax expense   | (7,116)                  | (4,096)                  |
| Profit attributable to the members of Peet & Company Limited | 17,084                   | 10,224                   |

The profit after tax for the half year ended 31 December 2005 is \$17.1 million compared to \$10.2 million this time last year. This increase in earnings is due to a significant increase in sales and settlements achieved during the first six months.

The Company sold more than 1,300 lots from its syndicated, joint venture and owned projects in the period that will gross in excess of \$193 million in sales revenue. At the end of the period the Company had in excess of 1,320 lots from its syndicated, joint venture and owned projects that had sold but were yet to settle.

**Dividends**

The directors have declared a fully franked interim dividend of 7.5 cents per share. The dividend for the half year represents a payout ratio of approximately 88%.

During the half year the Company paid a further fully franked final dividend of 2.5 cents per share in respect of the 2005 financial year.

**Funds Management / Land Syndication**

Revenue from land syndication increased by 40% on the previous corresponding period to \$18.2 million resulting in a 41% increase in pre-tax earnings of \$14.5 million. The improved result was influenced by strong demand for residential land in Western Australia and steady market conditions in Victoria and Queensland.

During the half year the Company saw strong demand for its most recent capital raising for the syndicated development of a 66ha parcel of land at Cranbourne in Melbourne's southeast. The capital raising closed early and oversubscribed raising over \$20 million in 9 working days.

Continued solid economic conditions in Western Australia and expected stable market conditions in Victoria and Queensland should result in improved performance from this division during the second half of this financial year.

**Land Development and Resale**

The segment result for the owned projects division improved by 123% from \$4.3 million to \$9.6 million. This was achieved on total segment revenue of \$40.6 million, representing an increase of approximately 186% on this time last year. The improved performance was due to increased settlements in Company owned projects and in particular Ashton Heights estate in WA.

With the further expansion of the Greenvale Lakes estate in Victoria, the Company expects to continue to drive growth during 2006.

## Review of Operations (continued)

### Joint Venture Projects

The segment is in its formative stages, with the Company continuing to negotiate on several fronts for further joint venture opportunities. The division's result continued to improve approximately 101% on this time last year, with revenue also increasing approximately 103%. The improved result was driven by strong sales achieved at The Village at Wellard, a joint venture development with the WA State Government. During the half year, work also commenced on the Quattro urban renewal project in Queens Park, Western Australia, being undertaken for the WA State Government. While already contributing to revenue, more substantial contributions from this project are expected to commence during the 2007 financial year.

### Acquisitions

During the half year the Company continued its ongoing program of acquiring well located land parcels in Western Australia and Victoria. The additional lots comprise a combination of residential and potential industrial lots.

The combined total number of lots still to be produced and sold in the various estates represents over 25,000 residential lots.

### Outlook

With:

- a strong balance sheet;
- low level of gearing;
- substantial bank funding capacity;
- respected management capability;
- expected continued favourable economic conditions in Western Australia; and
- expected stable market conditions in Victoria and Queensland,

Peet is well positioned to continue to grow its business. This includes via the origination of new land syndicates, additional joint venture projects and expansion of the income property funds management business particularly through the identification of many opportunities within our land bank for retail centres, medical centres, child-care centres and retirement housing opportunities.

### Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The external auditors' independence declaration is set out on page 7 and forms part of the Directors Report for the half year ended 31 December 2005.

### Rounding off

The company is an entity of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, in accordance with that class order amounts in the Directors Report and the half year financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with the resolution of directors' made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the directors



Warwick Hemsley  
**MANAGING DIRECTOR**  
27 February 2006

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## Auditors' Independence Declaration

As lead auditor for the review of Peet & Company Limited for the half year ended 31 December 2005, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



John O'Connor  
Partner  
PricewaterhouseCoopers

Perth  
27 February 2006

Peet & Company Limited

Consolidated Income Statement  
For the Half Year ended 31 December 2005

|   | Half Year      |                |
|---|----------------|----------------|
|   | 2005<br>\$'000 | 2004<br>\$'000 |
| <b>Revenue</b>  | 54,735         | 24,525         |
| Other income  | 580            | 412            |
| Changes in inventories  | 23,154         | 12,413         |
| Purchases & other inventory costs   | (42,150)       | (16,248)       |
| Employee benefits expense   | (5,071)        | (3,040)        |
| Depreciation expense  | (92)           | (72)           |
| Finance costs - net   | (1,640)        | (550)          |
| Project management, selling and other operating costs                                     | (3,286)        | (1,944)        |
| Office costs  | (576)          | (415)          |
| Other expenses  | (1,498)        | (755)          |
| Share of net profit/(loss) of associates accounted for using the equity method            | 44             | (6)            |
| <b>Profit before income tax</b>   | 24,200         | 14,320         |
| Income tax expense  | (7,116)        | (4,096)        |
| <b>Profit attributable to members of Peet &amp; Company Limited</b>                       | 17,084         | 10,224         |
| Earnings per share for profit attributable to the ordinary equity holders of the Company: |                |                |
| <b>Basic Earnings Per Security</b>  | 8.5 cents      | 5.1 cents      |
| <b>Diluted Earnings Per Security</b>  | 8.4 cents      | 5.1 cents      |

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

**Consolidated Balance Sheet**  
**For the Half Year ended 31 December 2005**

|   | Consolidated                  |                           |
|---|-------------------------------|---------------------------|
|   | 31 December<br>2005<br>\$'000 | 30 June<br>2005<br>\$'000 |
| <b>CURRENT ASSETS</b>                             |                               |                           |
| Cash and cash equivalents                         | 17,939                        | 17,436                    |
| Receivables                                       | 22,757                        | 28,842                    |
| Inventories                                       | 24,029                        | 34,362                    |
| Other   | 417                           | 797                       |
| <b>TOTAL CURRENT ASSETS</b>                       | 65,142                        | 81,437                    |
| <b>NON-CURRENT ASSETS</b>                         |                               |                           |
| Receivables                                       | 1,427                         | 178                       |
| Inventories                                       | 125,800                       | 84,313                    |
| Investments accounted for using the equity method | 2,461                         | 2,237                     |
| Available for sale financial assets               | 1,492                         | -                         |
| Property, plant and equipment                     | 1,498                         | 1,173                     |
| <b>TOTAL NON-CURRENT ASSETS</b>                   | 132,678                       | 87,901                    |
| <b>TOTAL ASSETS</b>                               | 197,820                       | 169,338                   |
| <b>CURRENT LIABILITIES</b>                        |                               |                           |
| Payables  | 34,688                        | 15,018                    |
| Interest bearing liabilities                      | -                             | 4,300                     |
| Current tax liabilities                           | 4,311                         | 6,728                     |
| Provisions  | 3,120                         | 2,099                     |
| <b>TOTAL CURRENT LIABILITIES</b>                  | 42,119                        | 28,145                    |
| <b>NON-CURRENT LIABILITIES</b>                    |                               |                           |
| Payables  | 2,104                         | 3,018                     |
| Interest bearing liabilities                      | 105,730                       | 88,640                    |
| Deferred tax liabilities                          | 6,088                         | 6,035                     |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              | 113,922                       | 97,693                    |
| <b>TOTAL LIABILITIES</b>                          | 156,041                       | 125,838                   |
| <b>NET ASSETS</b>                                 | 41,779                        | 43,500                    |
| <b>EQUITY</b>                                     |                               |                           |
| Contributed equity                                | 1,479                         | 1,479                     |
| Reserves  | 540                           | 343                       |
| Retained profits                                  | 39,760                        | 41,678                    |
| <b>TOTAL EQUITY</b>                               | 41,779                        | 43,500                    |

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

**Consolidated Statement of Changes in Equity  
For the Half Year ended 31 December 2005**

|   | Half Year      |                |
|---|----------------|----------------|
|   | 2005<br>\$'000 | 2004<br>\$'000 |
| <b>Total equity at the beginning of the half year</b>                 | 43,500         | 23,471         |
| <b>Profit for the half year</b>                                       | 17,084         | 10,224         |
| <b>Total recognised income and expense for the half year</b>          | 17,084         | 10,224         |
| Transactions with equity holders in their capacity as equity holders: |                |                |
| - Dividends provided for or paid (note 4)                             | (19,002)       | -              |
| - Employee share options  | 197            | 160            |
|   | (18,805)       | 160            |
| <b>Total equity at the end of the half year</b>                       | 41,779         | 33,855         |

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

**Consolidated Cash Flow Statement  
For the Half Year ended 31 December 2005**

|   | Half Year      |                |
|---|----------------|----------------|
|   | 2005<br>\$'000 | 2004<br>\$'000 |
| <b>Cash flows from operating activities</b>                 |                |                |
| Receipts from customers and suppliers                       | 64,730         | 36,634         |
| Payments to suppliers and employees                         | (43,336)       | (29,949)       |
| Dividends received  | -              | 45             |
| Interest received   | 580            | 412            |
| Trust distributions received                                | -              | 94             |
| Interest and other borrowing costs paid                     | (3,683)        | (2,933)        |
| Income tax paid   | (9,468)        | (7,455)        |
| <b>Net cash inflow/(outflow) from operating activities</b>  | 8,823          | (3,152)        |
| <b>Cash Flows from investing activities</b>                 |                |                |
| Payments for property, plant and equipment                  | (418)          | (353)          |
| Payments for investments in associates                      | (189)          | (1,027)        |
| Payments for available for sale financial assets            | (1,492)        | -              |
| Proceeds from capital returns                               | 9              | 31             |
| <b>Net cash outflow from investing activities</b>           | (2,090)        | (1,349)        |
| <b>Cash Flows from financing activities</b>                 |                |                |
| Dividends paid  | (19,002)       | -              |
| Loan repayments (to)/ from related entities                 | (17)           | 841            |
| Repayments of borrowings                                    | (21,531)       | (9,300)        |
| Proceeds from borrowings                                    | 34,320         | 16,010         |
| <b>Net cash inflow/(outflow) from financing activities</b>  | (6,230)        | 7,551          |
| <b>Net increase in cash and cash equivalents</b>            | 503            | 3,050          |
| Cash and cash equivalents at the beginning of the half year | 17,436         | 6,020          |
| <b>Cash and cash equivalents at end of the half year</b>    | 17,939         | 9,070          |

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Peet and Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### (i) Basis of preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### *Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

These interim financial statements are the first Peet & Company Limited interim financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Peet & Company Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Peet & Company Limited interim 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 12.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

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**1 Summary of significant accounting policies (continued)****(ii) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2005 and the results of all controlled entities for the half year then ended. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

**(iii) 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 national 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 cumulative 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.

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 parent entity 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.

The Company and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003.

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**1 Summary of significant accounting policies (continued)****(iv) Acquisition of assets - deferred settlement of cash consideration**

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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.

**(v) Impairment of assets**

Assets are reviewed 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 (cash generating units).

**(vi) Cash and cash equivalents**

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

**(vii) Property, plant and equipment**

Items of property, plant and equipment are recorded at cost and depreciated as per note 1(xiii). All items of property, plant and equipment are carried at the lower of cost (less accumulated depreciation) and recoverable amount.

**(viii) Revenue recognition**

Revenue is measured at the fair value of consideration received, net of discounts and tax paid. The following specific recognition criteria must also be met before revenue is recognised:

*Land development and resale*

Revenue and profits from the sale of blocks from completed stages of land subdivision are recognised upon settlement.

Project management and selling fees are recognised on the signing of a contract.

*Interest and dividends*

Interest and dividend revenue is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

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**1 Summary of significant accounting policies (continued)****(ix) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful 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. The amount of the 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. The amount of the provision is recognised in the income statement.

**(x) Inventories**

Land held for development and resale is stated at the lower of cost (and recognised profits) 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.

Non-current inventories relates to land which is not expected to be sold within the next 12 months.

**(xi) Land held for syndication or development**

Land held for syndication or development or deposits on land are carried at the lower of cost and recoverable amount.

**(xii) Investments and other financial assets**

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, 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 each reporting date.

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**1 Summary of significant accounting policies (continued)****(xii) Investments and other financial assets (continued)***(i) Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

*(ii) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

*(iv) 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 sheet date.

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 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.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

**1 Summary of significant accounting policies (continued)****(xii) Investments and other financial assets (continued)**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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 are not reversed through the income statement.

**(xiii) Property plant and equipment**

Land and buildings are shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets 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:

|                                     |           |
|-------------------------------------|-----------|
| - Buildings                         | 40 years  |
| - Furniture, fittings and equipment | 1-5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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(v)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

**(xiv) Trade and other payables**

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

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**1 Summary of significant accounting policies (continued)****(xv) Dividends**

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

**(xvi) Employee entitlements***Wages, salaries and annual leave*

The provisions for employee entitlements to wages, salaries and annual leave represent the amounts which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision is measured as the amount expected to be paid when the liability is settled and includes related on-costs.

*Long service leave*

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 projected unit credit 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 outflows.

*Equity – based compensation benefits*

Equity-based compensation benefits are provided to executive directors and employees via the Peet & Company Limited Employee Share Option Plan.

*Shares options granted after 7 November 2002 and vested after 1 January 2005*

The fair value of options granted under the Peet & Company Limited Employee Share Option Plan is 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.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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.

The fair value of the options granted 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 sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

*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.

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**1 Summary of significant accounting policies (continued)****(xvii) Borrowings**

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.

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 balance sheet date.

**(xviii) Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

Borrowing costs include interest on bank overdrafts and commercial bills and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

**(xix) Provisions**

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

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

**(xx) 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.

**(xxi) Earnings per share***Basic Earnings per share*

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

*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.

**(xxii) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**1 Summary of significant accounting policies (continued)**

**(xxiii) Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Peet & Company Limited's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

**2 SEGMENT INFORMATION**

**Business segments**

The consolidated entity is an Australian based company having the following three primary business segments:

*Funds managements /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.

*Land development and resale*

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 Group 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.

*Geographical segments*

The consolidated entity operates primarily in one geographical segment being Australia. Accordingly, no further geographical information is provided.

**Notes to the Financial Statements  
For the Half Year ended 31 December 2005**

**2 Segment Information (continued)****Primary reporting business segments**

| <b>For the half year ended<br/>31 December 2005</b> | <b>Funds<br/>management /<br/>land<br/>syndication<br/>\$'000</b> | <b>Land<br/>development &amp;<br/>resale<br/>\$'000</b> | <b>Joint venture<br/>projects<br/>\$'000</b> | <b>Inter-segment<br/>eliminations<br/>\$'000</b> | <b>Consolidated<br/>\$'000</b> |
|---|---|---|--|--|--------------------------------|
| Sales to external customers                         | 13,063  | 40,301  | 1,150  | -  | 54,514                         |
| Inter-segment sales                                 | 5,070   | -   | -  | (5,070)  | -                              |
| Total sales revenue                                 | 18,133  | 40,301  | 1,150  | (5,070)  | 54,514                         |
| Other revenue                                       | 58  | 251   | -  | (88)   | 221                            |
| Total segment revenue                               | 18,191  | 40,552  | 1,150  | (5,158)  | 54,735                         |
| Segment expenses                                    | (3,751)   | (30,961)  | (252)  | 5,489  | (29,475)                       |
| Segment result                                      | 14,440  | 9,591   | 898  | 331  | 25,260                         |
| Unallocated revenue less unallocated expense        |   |   |  |  | (1,060)                        |
| Profit before income tax expense                    |   |   |  |  | 24,200                         |

| <b>For the half year ended<br/>31 December 2004</b> | <b>Funds<br/>management /<br/>land<br/>syndication<br/>\$'000</b> | <b>Land<br/>development &amp;<br/>resale<br/>\$'000</b> | <b>Joint venture<br/>projects<br/>\$'000</b> | <b>Inter-segment<br/>eliminations<br/>\$'000</b> | <b>Consolidated<br/>\$'000</b> |
|---|---|---|--|--|--------------------------------|
| Sales to external customers                         | 9,739   | 13,434  | 566  | -  | 23,739                         |
| Inter-segment sales                                 | 3,185   | -   | -  | (3,185)  | -                              |
| Total sales revenue                                 | 12,924  | 13,434  | 566  | (3,185)  | 23,739                         |
| Other revenue                                       | 85  | 757   | -  | (56)   | 786                            |
| Total segment revenue                               | 13,009  | 14,191  | 566  | (3,241)  | 24,525                         |
| Segment expenses                                    | (2,750)   | (9,919)   | (118)  | 2,792  | (9,995)                        |
| Segment result                                      | 10,259  | 4,272   | 448  | (449)  | 14,530                         |
| Unallocated revenue less unallocated expense        |   |   |  |  | (210)                          |
| Profit before income tax expense                    |   |   |  |  | 14,320                         |

**Notes to the Financial Statements  
For the Half Year ended 31 December 2005**

**3 PROFIT FOR THE HALF YEAR**

| Half Year |        |
|-----------|--------|
| 2005      | 2004   |
| \$'000    | \$'000 |

Profit for the half year includes the following items of revenue and expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:

**Expenses**

Cost of sales:

|                              |        |       |
|------------------------------|--------|-------|
| - Land and development costs | 18,966 | 3,835 |
|------------------------------|--------|-------|

Finance costs:

|                                |         |         |
|--------------------------------|---------|---------|
| - Interest and finance charges | 5,143   | 3,190   |
| - Amount capitalised           | (3,503) | (2,640) |

|                       |       |     |
|-----------------------|-------|-----|
| Finance costs expense | 1,640 | 550 |
|-----------------------|-------|-----|

**4 DIVIDENDS**

| Half Year |        |
|-----------|--------|
| 2005      | 2004   |
| \$'000    | \$'000 |

**Ordinary shares**

|   |        |   |
|---|--------|---|
| Dividends provided for or paid during the half-year | 19,002 | - |
|---|--------|---|

**Dividends not recognised at the end of the half-year**

Since the end of the half-year the directors have recommended the payment of an interim dividend of 7.5 cents (2004 – Nil) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 20 April 2006 out of retained profits at the end of the half-year, but not recognised as a liability, is

|  |        |        |
|--|--------|--------|
|  | 15,002 | 10,001 |
|--|--------|--------|

**5 DIVIDEND REINVESTMENT PLAN (“DRP”)**

The Company has established a DRP to provide shareholders with the choice of reinvesting some or all of their dividends in shares rather than receiving those dividends in cash. As at the date of this report the DRP has not been activated as the Company has conservative gearing. The syndication and Joint Venture models, comprising a substantial part of the Company's land bank are very working capital efficient.

**6 EQUITY SECURITIES ISSUED**

|  | Half Year |      | Half Year |        |
|--|-----------|------|-----------|--------|
|  | 2005      | 2004 | 2005      | 2004   |
|  | No        | No   | \$'000    | \$'000 |

Issues of ordinary shares during the half year

Issued for no consideration:

|                              |   |        |   |   |
|------------------------------|---|--------|---|---|
| Employee share scheme issues | - | 23,324 | - | - |
|------------------------------|---|--------|---|---|

Issue of options during the half year

Issued for no consideration:

|                              |         |           |   |   |
|------------------------------|---------|-----------|---|---|
| Employee share option scheme | 430,000 | 1,967,000 | - | - |
|------------------------------|---------|-----------|---|---|

Notes to the Financial Statements  
For the Half Year ended 31 December 2005

**7 EARNINGS PER SHARE**

|  | Half Year   |             |
|--|-------------|-------------|
|  | 2005        | 2004        |
| Basic earnings per share (cents)   | 8.5 cents   | 5.1 cents   |
| Fully Diluted earnings per share (cents)   | 8.4 cents   | 5.1 cents   |
| Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share  | 200,023,324 | 200,000,000 |
| Weighted average number of ordinary shares used as the denominator – the calculation of diluted earnings per share | 202,350,612 | 200,000,000 |

**8 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**

During the half year ended 31 December 2005 the Company established the following wholly owned subsidiaries:

| Name                              | Date of incorporation |
|-----------------------------------|-----------------------|
| Peet Cranbourne Syndicate Limited | 5 July 2005           |
| Peet No 84 Limited                | 5 July 2005           |
| Peet No 85 Limited                | 5 July 2005           |
| Peet No 86 Limited                | 25 October 2005       |
| Peet No 87 Limited                | 25 October 2005       |
| Peet No 88 Limited                | 25 October 2005       |
| Peet No 89 Limited                | 29 November 2005      |
| Peet No 90 Limited                | 29 November 2005      |
| Peet No 91 Limited                | 29 November 2005      |

During the half year ended 31 December 2005, Peet Cranbourne Syndicate Limited (“Cranbourne”) issued shares to the public via a prospectus dated 28 October 2005. As of the date of allotment of those shares (9 December 2005) Cranbourne was no longer a controlled entity. The profit on deconsolidation was \$3,980 (full amount).

**9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

Investments in significant associate entity:

|                                   | Place of Incorporation | Class of Share | Holding            |                |
|-----------------------------------|------------------------|----------------|--------------------|----------------|
|                                   |                        |                | 31 December 2005 % | 30 June 2005 % |
| Peet Caboolture Syndicate Limited | WA                     | Ordinary       | 20                 | 20             |

**10 CONTINGENT LIABILITIES**

The consolidated entity and parent entity had contingent liabilities at 31 December 2005 in respect of guarantees and underwriting obligations of \$35,145,200 (30 June 2005: \$58,136,420).

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

**11 EVENTS OCCURRING AFTER REPORTING DATE**

There are no significant events occurring after reporting date.

**Notes to the Financial Statements**  
**For the Half Year ended 31 December 2005**

**12 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS****Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)**(a) *At the date of transition to AIFRS: 1 July 2004*

|   | Notes | Previous<br>AGAAP<br>\$'000 | Effect of<br>transition to<br>AIFRS<br>\$'000 | AIFRS<br>\$'000 |
|---|-------|-----------------------------|---|-----------------|
| <b>CURRENT ASSETS</b>                             |       |                             |   |                 |
| Cash and cash equivalents                         |       | 6,265                       | -   | 6,265           |
| Receivables                                       |       | 20,297                      | -   | 20,297          |
| Inventories                                       | (a)   | 23,937                      | (14,381)                                      | 9,556           |
| Other assets                                      |       | 544                         | -   | 544             |
| <b>TOTAL CURRENT ASSETS</b>                       |       | <b>51,043</b>               | <b>(14,381)</b>                               | <b>36,662</b>   |
| <b>NON-CURRENT ASSETS</b>                         |       |                             |   |                 |
| Inventories                                       |       | 75,379                      | -   | 75,379          |
| Investments accounted for using the equity method | (e)   | 1,443                       | 850   | 2,293           |
| Investments                                       | (e)   | 850                         | (850)   | -               |
| Property, plant and equipment                     |       | 655                         | -   | 655             |
| <b>TOTAL NON-CURRENT ASSETS</b>                   |       | <b>78,327</b>               | <b>-</b>                                      | <b>78,327</b>   |
| <b>TOTAL ASSETS</b>                               |       | <b>129,370</b>              | <b>(14,381)</b>                               | <b>114,989</b>  |
| <b>CURRENT LIABILITIES</b>                        |       |                             |   |                 |
| Payables  | (a)   | 8,909                       | (2,298)                                       | 6,611           |
| Interest bearing liabilities                      |       | 245                         | -   | 245             |
| Current tax liabilities                           |       | 6,088                       | -   | 6,088           |
| Provisions  |       | 1,653                       | -   | 1,653           |
| <b>TOTAL CURRENT LIABILITIES</b>                  |       | <b>16,895</b>               | <b>(2,298)</b>                                | <b>14,597</b>   |
| <b>NON-CURRENT LIABILITIES</b>                    |       |                             |   |                 |
| Interest bearing liabilities                      |       | 68,280                      | -   | 68,280          |
| Deferred tax liabilities                          | (a)   | 6,925                       | (3,625)                                       | 3,300           |
| Payables  |       | 5,341                       | -   | 5,341           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              |       | <b>80,546</b>               | <b>(3,625)</b>                                | <b>76,921</b>   |
| <b>TOTAL LIABILITIES</b>                          |       | <b>97,441</b>               | <b>(5,923)</b>                                | <b>91,518</b>   |
| <b>NET ASSETS</b>                                 |       | <b>31,929</b>               | <b>(8,458)</b>                                | <b>23,471</b>   |
| <b>EQUITY</b>                                     |       |                             |   |                 |
| Contributed equity                                |       | 1,479                       | -   | 1,479           |
| Reserves  | (d)   | -                           | 4   | 4               |
| Retained earnings                                 | (c)   | 30,450                      | (8,462)                                       | 21,988          |
| <b>TOTAL EQUITY</b>                               |       | <b>31,929</b>               | <b>(8,458)</b>                                | <b>23,471</b>   |

**Notes to the Financial Statements**  
**For the Half Year ended 31 December 2005**

**12 Explanation of transition to Australian equivalents to IFRSs (continued)***(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004*

|   | Notes | Previous<br>AGAAP<br>\$'000 | Effect of<br>transition to<br>AIFRS<br>\$'000 | AIFRS<br>\$'000 |
|---|-------|-----------------------------|---|-----------------|
| <b>CURRENT ASSETS</b>                             |       |                             |   |                 |
| Cash and cash equivalents                         |       | 9,070                       | -   | 9,070           |
| Receivables                                       |       | 16,352                      | -   | 16,352          |
| Inventories                                       | (a)   | 36,978                      | (13,280)                                      | 23,698          |
| Other assets                                      |       | 1,304                       | -   | 1,304           |
| <b>TOTAL CURRENT ASSETS</b>                       |       | <b>63,704</b>               | <b>(13,280)</b>                               | <b>50,424</b>   |
| <b>NON-CURRENT ASSETS</b>                         |       |                             |   |                 |
| Inventories                                       |       | 73,651                      | -   | 73,651          |
| Investments accounted for using the equity method | (e)   | 1,437                       | 894   | 2,331           |
| Other financial assets - Investments              | (e)   | 894                         | (894)   | -               |
| Property, plant and equipment                     |       | 935                         | -   | 935             |
| <b>TOTAL NON CURRENT ASSETS</b>                   |       | <b>76,917</b>               | <b>-</b>                                      | <b>76,917</b>   |
| <b>TOTAL ASSETS</b>                               |       | <b>140,621</b>              | <b>(13,280)</b>                               | <b>127,341</b>  |
| <b>CURRENT LIABILITIES</b>                        |       |                             |   |                 |
| Payables  | (a)   | 12,580                      | (2,010)                                       | 10,570          |
| Interest bearing liabilities                      |       | 1,224                       | -   | 1,224           |
| Current tax liabilities                           |       | 3,343                       | -   | 3,343           |
| Provisions  |       | 1,873                       | -   | 1,873           |
| <b>TOTAL CURRENT LIABILITIES</b>                  |       | <b>19,020</b>               | <b>(2,010)</b>                                | <b>17,010</b>   |
| <b>NON-CURRENT LIABILITIES</b>                    |       |                             |   |                 |
| Interest bearing liabilities                      |       | 73,790                      | -   | 73,790          |
| Deferred tax liabilities                          | (a)   | 6,067                       | (3,381)                                       | 2,686           |
| <b>TOTAL NON-CURRENT LIABILITES</b>               |       | <b>79,857</b>               | <b>(3,381)</b>                                | <b>76,476</b>   |
| <b>TOTAL LIABILITIES</b>                          |       | <b>98,877</b>               | <b>(5,391)</b>                                | <b>93,486</b>   |
| <b>NET ASSETS</b>                                 |       | <b>41,744</b>               | <b>(7,889)</b>                                | <b>33,855</b>   |
| <b>EQUITY</b>                                     |       |                             |   |                 |
| Contributed equity                                |       | 1,479                       | -   | 1,479           |
| Reserves  | (d)   | -                           | 163   | 163             |
| Retained earnings                                 | (c)   | 40,265                      | (8,052)                                       | 32,213          |
| <b>TOTAL EQUITY</b>                               |       | <b>41,744</b>               | <b>(7,889)</b>                                | <b>33,855</b>   |

**Notes to the Financial Statements**  
**For the Half Year ended 31 December 2005**

**12 Explanation of transition to Australian equivalents to IFRSs (continued)**(c) *At the end of the last reporting period under previous AGAAP: 30 June 2005*

|   | Notes | Previous<br>AGAAP<br>\$'000 | Effect of<br>transition to<br>AIFRS<br>\$'000 | AIFRS<br>\$'000 |
|---|-------|-----------------------------|---|-----------------|
| <b>CURRENT ASSETS</b>                             |       |                             |   |                 |
| Cash and cash equivalents                         |       | 17,436                      | -   | 17,436          |
| Receivables                                       |       | 28,842                      | -   | 28,842          |
| Inventories                                       | (a)   | 50,702                      | (16,340)                                      | 34,362          |
| Other assets                                      |       | 797                         | -   | 797             |
| <b>TOTAL CURRENT ASSETS</b>                       |       | <b>97,777</b>               | <b>(16,340)</b>                               | <b>81,437</b>   |
| <b>NON-CURRENT ASSETS</b>                         |       |                             |   |                 |
| Receivables                                       |       | 178                         | -   | 178             |
| Inventories                                       |       | 84,313                      | -   | 84,313          |
| Investments accounted for using the equity method | (e)   | 1,420                       | 817   | 2,237           |
| Investments                                       | (e)   | 817                         | (817)   | -               |
| Property, plant and equipment                     |       | 1,173                       | -   | 1,173           |
| <b>TOTAL NON-CURRENT ASSETS</b>                   |       | <b>87,901</b>               | <b>-</b>                                      | <b>87,901</b>   |
| <b>TOTAL ASSETS</b>                               |       | <b>185,678</b>              | <b>(16,340)</b>                               | <b>169,338</b>  |
| <b>CURRENT LIABILITIES</b>                        |       |                             |   |                 |
| Payables  | (a)   | 16,981                      | (1,963)                                       | 15,018          |
| Interest bearing liabilities                      |       | 4,300                       | -   | 4,300           |
| Current tax liabilities                           |       | 6,728                       | -   | 6,728           |
| Provisions  |       | 2,099                       | -   | 2,099           |
| <b>TOTAL CURRENT LIABILITIES</b>                  |       | <b>30,108</b>               | <b>(1,963)</b>                                | <b>28,145</b>   |
| <b>NON-CURRENT LIABILITIES</b>                    |       |                             |   |                 |
| Interest bearing liabilities                      |       | 88,640                      | -   | 88,640          |
| Deferred tax liabilities                          | (a)   | 10,348                      | (4,313)                                       | 6,035           |
| Payables  |       | 3,018                       | -   | 3,018           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              |       | <b>102,006</b>              | <b>(4,313)</b>                                | <b>97,693</b>   |
| <b>TOTAL LIABILITIES</b>                          |       | <b>132,114</b>              | <b>(6,276)</b>                                | <b>125,838</b>  |
| <b>NET ASSETS</b>                                 |       | <b>53,564</b>               | <b>(10,064)</b>                               | <b>43,500</b>   |
| <b>EQUITY</b>                                     |       |                             |   |                 |
| Contributed equity                                |       | 1,479                       | -   | 1,479           |
| Reserves  | (d)   | -                           | 343   | 343             |
| Retained earnings                                 | (c)   | 52,085                      | (10,407)                                      | 41,678          |
| <b>TOTAL EQUITY</b>                               |       | <b>53,564</b>               | <b>(10,064)</b>                               | <b>43,500</b>   |

**Notes to the Financial Statements  
For the Half Year ended 31 December 2005**

**12 Explanation of transition to Australian equivalents to IFRSs (continued)****Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)****(a) Reconciliation of profit for the half-year ended 31 December 2004**

|   | Notes | Previous<br>AGAAP<br>\$'000 | Effect of<br>transition to<br>AIFRS<br>\$'000 | AIFRS<br>\$'000 |
|---|-------|-----------------------------|---|-----------------|
| <b>Revenue</b>  | (a)   | 23,791                      | 1,146   | 24,937          |
| Changes in inventories  | (a)   | 11,313                      | 1,100   | 12,413          |
| Purchases and other inventory costs                                 | (a)   | (15,092)                    | (1,156)                                       | (16,248)        |
| Employee benefits expense   | (b)   | (2,881)                     | (159)   | (3,040)         |
| Depreciation expense  |       | (72)                        | -   | (72)            |
| Finance costs – net   |       | (550)                       | -   | (550)           |
| Project management, selling, and operating costs                    | (a)   | (1,666)                     | (278)   | (1,944)         |
| Office Costs  |       | (415)                       | -   | (415)           |
| Other expenses  |       | (755)                       | -   | (755)           |
| Share of loss from associates                                       |       | (6)                         | -   | (6)             |
| <b>Profit before income tax</b>                                     |       | 13,667                      | 653   | 14,320          |
| Income tax expense  | (a)   | (3,852)                     | (244)   | (4,096)         |
| <b>Profit attributable to members of Peet &amp; Company Limited</b> |       | 9,815                       | 409   | 10,224          |

**Notes to the Financial Statements  
For the Half Year ended 31 December 2005**

**12 Explanation of transition to Australian equivalents to IFRSs (continued)****(b) Reconciliation of profit for the year ended 30 June 2005**

|   | Notes | Previous<br>AGAAP<br>\$'000 | Effect of<br>transition to<br>AIFRS<br>\$'000 | AIFRS<br>\$'000 |
|---|-------|-----------------------------|---|-----------------|
| <b>Revenue</b>  | (a)   | 76,914                      | (4,639)                                       | 72,275          |
| Changes in inventories  | (a)   | 31,147                      | 2,593   | 33,740          |
| Purchases and other inventory costs                                 | (a)   | (47,844)                    | (81)  | (47,925)        |
| Employee benefits expense   | (b)   | (6,606)                     | (339)   | (6,945)         |
| Depreciation expense  |       | (166)                       | -   | (166)           |
| Finance costs – net   |       | (1,281)                     | -   | (1,281)         |
| Project management, selling, and operating costs                    | (a)   | (3,482)                     | (168)   | (3,650)         |
| Office costs  |       | (883)                       | -   | (883)           |
| Other expenses  |       | (1,863)                     | -   | (1,863)         |
| Share of profit from associates                                     |       | (21)                        | -   | (21)            |
| <b>Profit before income tax</b>                                     |       | 45,915                      | (2,634)                                       | 43,281          |
| Income tax expense  | (a)   | (14,280)                    | 689   | (13,591)        |
| <b>Profit attributable to members of Peet &amp; Company Limited</b> |       | 31,635                      | (1,945)                                       | 29,690          |

**Reconciliation of cash flow statement for the year ended 30 June 2005**

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

**Notes to the Financial Statements  
For the Half Year ended 31 December 2005**

**12 Explanation of transition to Australian equivalents to IFRSs (continued)****Notes to the reconciliations****(a) UIG 53 Development land sales and expenditure recognition**

Under previous AGAAP, revenue and profits relating to pre-completion contracts were recognised on the basis of the percentage of completion. The corresponding expenses attributable to the sale (as a percentage of total costs) were also recognised at this time. The application of UIG 53 'Pre-completion contracts for the sale of residential properties' under AIFRS has been removed. Consequently, revenue must be recognised in accordance with AASB 118 Revenue, which requires the Group to revert to a settlement basis of revenue recognition.

This change in policy also impacts the level of performance fee income earned from managed syndicates as these fees are determined on the basis of pre tax profit within the managed syndicates.

For the half year ending 31 December 2004 and year ended 30 June 2005 the following adjustments have been made to the income statement to reflect this change in policy:

|                                     | <b>Half year<br/>ended<br/>31 Dec<br/>2004<br/>\$'000</b> | <b>Year ended<br/>30 June<br/>2005<br/>\$'000</b> |
|-------------------------------------|---|---|
| Sales                               | 1,146   | (4,639)   |
| Changes in inventory                | 1,100   | 2,593   |
| Purchases and other inventory costs | (1,156)   | (81)  |
| Sub Total                           | <u>1,090</u>  | <u>(2,127)</u>                                    |
| Performance fee                     | 11  | 168   |
| Other costs                         | (289)   | (336)   |
| Sub Total                           | <u>278</u>  | <u>(168)</u>                                      |
| Total                               | <u><u>812</u></u>   | <u><u>(2,295)</u></u>                             |
| Income tax                          | (244)   | 689   |
| Net Impact                          | <u><u>568</u></u>   | <u><u>(1,606)</u></u>                             |

**Notes to the Financial Statements  
For the Half Year ended 31 December 2005**

**12 Explanation of transition to Australian equivalents to IFRSs (continued)**

The following adjustments have been made to net assets to reflect the change in policy.

|   | <b>1 July<br/>2004<br/>\$'000</b> | <b>31 Dec<br/>2004<br/>\$'000</b> | <b>30 June<br/>2005<br/>\$'000</b> |
|---|-----------------------------------|-----------------------------------|------------------------------------|
| Sales                                   | (19,524)                          | (18,379)                          | (24,164)                           |
| Cost of sales                           | 6,967                             | 6,911                             | 9,479                              |
| Performance fee                         | (1,823)                           | (1,812)                           | (1,655)                            |
| Net movement in inventories             | (14,381)                          | (13,280)                          | (16,340)                           |
| Other costs                             | 2,298                             | 2,010                             | 1,963                              |
| Net movements in payables               | 2,298                             | 2,010                             | 1,963                              |
| Net movements in deferred tax liability | 3,625                             | 3,381                             | 4,313                              |
| Total                                   | (8,458)                           | (7,889)                           | (10,064)                           |

**(b) Share based employee options**

In accordance with AASB 2, the consolidated entity is required to recognise as an expense in the income statement on a pro-rata basis over the vesting period the fair value of; options granted to key executives; and management performance rights granted to employees as part of the Employee Share Option Plan (ESOP). Under AGAAP, no such expense was required.

The employee benefit expense in each of the periods noted would have increased by:

|                               | <b>Half year<br/>Ended<br/>31 Dec<br/>2004<br/>\$'000</b> | <b>Year ended<br/>30 June<br/>2005<br/>\$'000</b> |
|-------------------------------|---|---|
| Employee share option expense | 159   | 339   |

**(c) Retained earnings**

The effect on retained earnings of the changes set out above are as follows:

|                                    |     | <b>1 July<br/>2004<br/>\$'000</b> | <b>31 Dec<br/>2004<br/>\$'000</b> | <b>30 June<br/>2005<br/>\$'000</b> |
|------------------------------------|-----|-----------------------------------|-----------------------------------|------------------------------------|
| UIG 53 adjustments                 | (a) | 12,083                            | 11,270                            | 14,377                             |
| Deferred tax liability adjustments | (a) | (3,625)                           | (3,381)                           | (4,313)                            |
| Share-based payments               | (b) | 4                                 | 163                               | 343                                |
| Total                              |     | 8,462                             | 8,052                             | 10,407                             |

**Notes to the Financial Statements  
For the Half Year ended 31 December 2005**

**12 Explanation of transition to Australian equivalents to IFRSs (continued)****(d) Reserves**

The effect on reserves of the changes set out above are as follows:

|                      | Notes | 1 July<br>2004<br>\$'000 | 31 Dec<br>2004<br>\$'000 | 30 June<br>2005<br>\$'000 |
|----------------------|-------|--------------------------|--------------------------|---------------------------|
| Share-based payments | (b)   | 4                        | 163                      | 343                       |

**(e) Classification of Investments in Syndicates**

Under previous AGAAP investments held by the Group in property syndicates were accounted for as investments held at cost, with distributions recognised as income when received or receivable. On transition to AIFRS, the Group has reassessed the treatment of these investments and determined that the Group has significant influence over the property syndicates, due to its key role as development manager. As the Group has significant influence, the investments in syndicates will be accounted for using the equity method under AIFRS. The effect of this change is as follows:

**At 1 July 2004**

A decrease in investments of \$850,000 and an increase in investments in associates of \$850,000.

**At 31 December 2004**

A decrease in investments of \$894,000 and an increase in investments in associates of \$894,000.

**At 30 June 2005**

A decrease in investments of \$817,000 and an increase in investments in associates of \$817,000.

There is no significant impact on retained earnings for any of the above dates, or dividend income/share of profits of associates for the periods ended 31 December 2004 and year ended 30 June 2005.

**(f) Adjustments on transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement: 1 July 2005**

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 - Financial Instruments: Disclosure and Presentation and AASB 139 - Financial Instruments: Recognition and Measurement from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

As at 1 July 2005, there were no significant adjustments from the application of AASB 132 and AASB 139.

In the directors' opinion:

- a) the financial statements and notes set out on pages 8 to 32 are in accordance with the *Corporations Act 2001*, including:
  - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, as represented by the result of its operations and its cashflows, for the half-year ended on that date; and
- b) there are reasonable grounds to believe that Peet & Company Limited will be able to pay its debts as and when they become due and payable.

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



**Warwick Hemsley**  
Managing Director

Dated at Perth this 27th day of February 2006

## Independent review report to the members of Peet & Company Limited

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Peet & Company Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Peet & Company Group (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date; and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Peet & Company Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Peet & Company Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel; and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

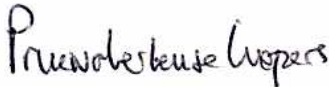
These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

## **Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



John O'Connor  
Partner

Perth  
27 February 2006