

annual report
2006

prosperity

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Peet Limited
Enriching lives since 1895

PEET

asset manager land syndicator fund manager asset manager land syndicator fund manager asset manager land syndicator fund manager

prosperity

through

property

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Property

Over an illustrious 111-year history, Peet has evolved to be a leading Australian property asset manager, property fund manager and land syndicator.

Principles of environmental excellence and sustainability are at the forefront of our philosophy, evidenced by the many awards our estates have earned.

In 2005/06, Peet Limited has demonstrated that it is a truly national, award-winning company and we are proud to share our prosperity with investors, shareholders and new communities.

Prosperity

Peet Limited is proud to have helped enrich the lives of many Australians through our award-winning communities, our highly successful land syndicates, our managed funds and through investment in Peet Limited itself.

The Company has a renowned history of creating profitable property investment syndicates as well as a range of joint ventures in order to develop high quality projects.

At Peet, we approach the management of our investors' funds with integrity and vision – integrity in our ethical approach to business, and vision in our pursuit of growth and prosperity for our stakeholders.

Peet has the people, the energy and the discipline to see its vision through. That vision is to give all Australians the opportunity to build prosperity through property.

Position

Creating quality communities and offering high return investment opportunities remains Peet's core focus. In addition, we continue to grow our business by leveraging our land bank into an expanded range of property and funds management services.

By applying our extensive property experience and pursuing opportunities across Australia, we are uniquely positioned for market resilience and growth.

We create customised residential developments which infuse lifestyle into design, under the banner of Peet Living. In addition, we have identified a number of sites suitable for retirement housing – an area which presents exciting future opportunities.

Commercial and retail developments are of significant strategic importance to Peet Limited, as they support the value of a residential land offer while also providing desirable investment opportunities for Peet income funds.

Performance

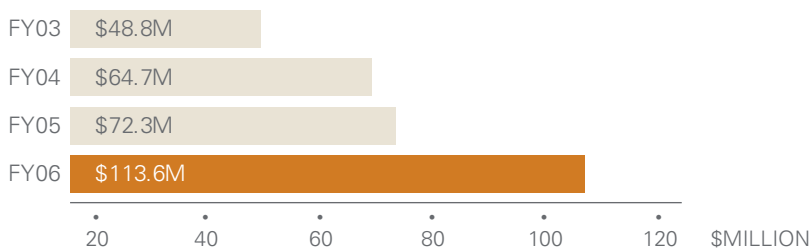
Peet Limited's strong performance is evident in sound, steady company profit and asset growth together with excellent returns to shareholders and investors.

In 2005/06, Peet delivered an after-tax profit of \$36.8 million, an increase of 24% compared with the previous year. Gross revenue increased by 57% to \$113.6 million, and total assets at cost now stand at \$241 million. Earnings per share increased by 24.3% to 18.4 cents per share, and dividends for the year totalled 17 cents per share fully franked – or 24.3 cents per share before tax allowing for the 100% franking.

Peet Limited's extensive land holdings under ownership, management or joint venture equate to more than 27,500 lots with a current end value in excess of \$4.6 billion. The Company is renowned for its land syndications which provides access to property assets with minimal up front overheads and solid investment returns.

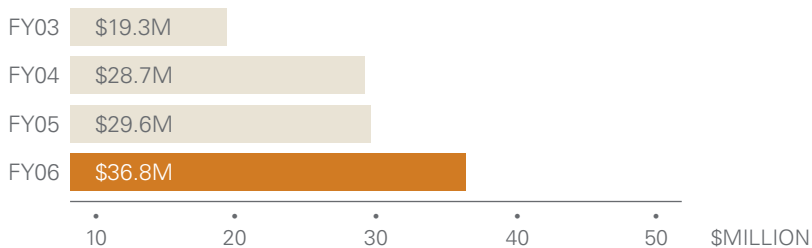
GROSS REVENUE

Gross revenue
increased by
57.1%



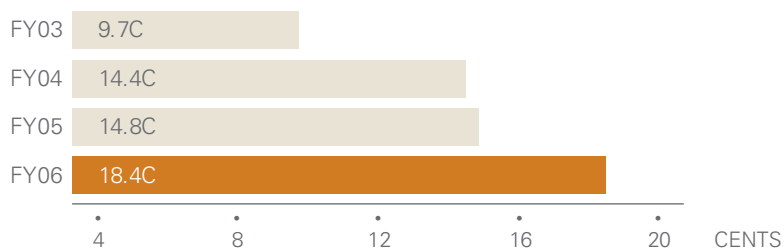
NET PROFIT AFTERTAX

Net profit after tax
increased by
24.3%



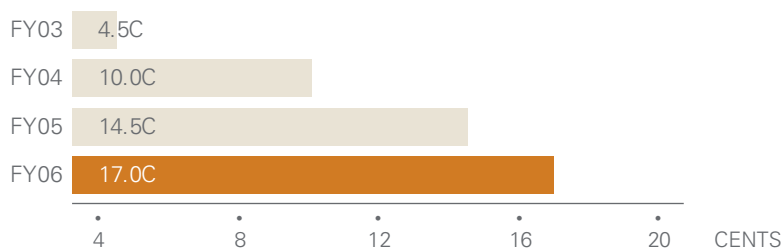
EARNINGS PER SHARE

Earnings per share
increased by
24.3%



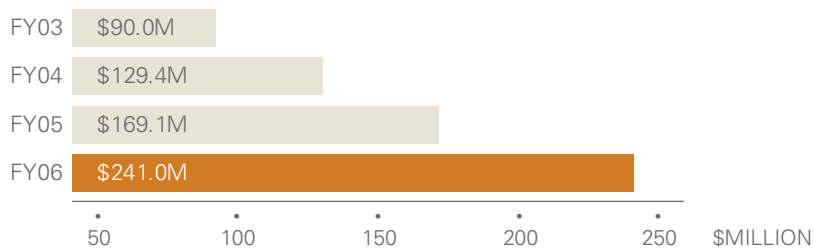
DIVIDEND

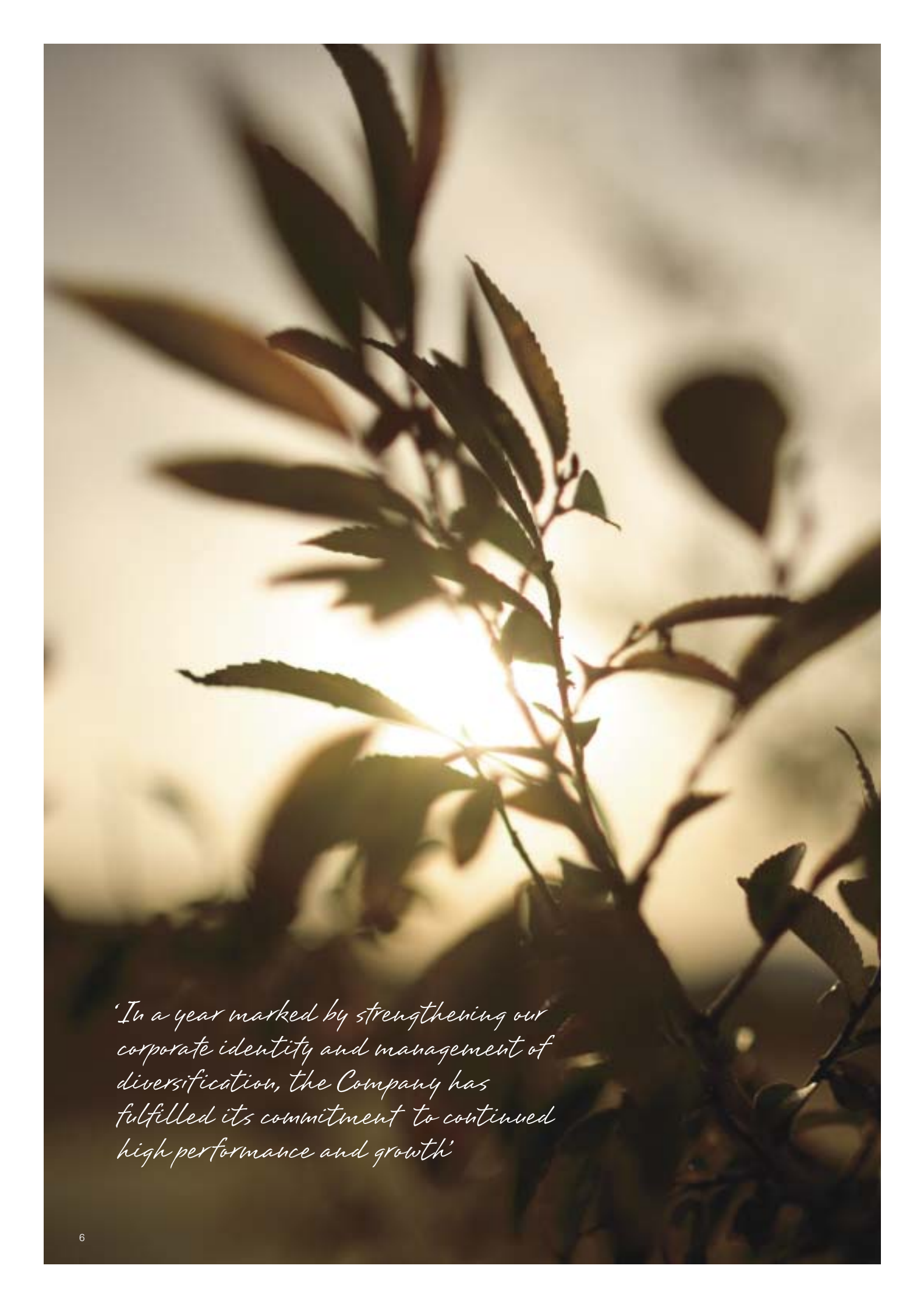
Dividend per share
increased by
17.2%



TOTAL ASSETS

Total assets
increased by
42.5%





'In a year marked by strengthening our corporate identity and management of diversification, the Company has fulfilled its commitment to continued high performance and growth'



We are delighted to present the Peet Limited 2006 Annual Report and, on behalf of the Board, we are pleased to report another year of record earnings.

In a year marked by strengthening our corporate identity and management of diversification, the Company has fulfilled its commitment to continued high performance and growth – creating prosperity for our shareholders and investors and delivering high quality new residential communities.

During the year, Peet has posted a net increase in our land bank – both company-owned and syndicated – and is successfully managing a number of joint ventures. In addition, the Company has significantly progressed our diversification strategy through leveraging our land bank by ourselves, developing various sites according to their zoning or potential zoning.

Highlights of Peet Limited's record performance in 2005/06 are:

- Pre-tax profits of \$52.4 million and \$36.8 million net profit after tax
- Total dividend payments – in April 2006 and the final dividend due in October 2006 – of \$34 million with fully-franked tax credits
- Annual dividends equate to 17 cents per share fully franked (effectively equivalent to 24.3 cents per share before tax)
- Continued sound growth in earnings per share.

Major features of this pleasing performance are record sales of 2,432 lots in our award-winning managed and company

owned estates, realising a total gross settlement value of more than \$355 million, and the successful syndication of three new developments in Victoria and Western Australia.

It is envisaged that our core operations of property asset management and property funds management will continue to drive a solid performance in 2006/07. This will be complemented by progressive realisation of our diversification strategy in business areas such as commercial, retail and retirement.

Peet Limited has a conservative level of debt gearing and the Company's business model is working capital efficient. The Directors have therefore decided not to activate the dividend reinvestment plan.

During 2005/06, Peet Limited redefined its corporate identity ahead of the release of a revised company name and fresh image. We believe the new identity affirms Peet as a modern, dynamic organisation backed by our solid management practices, strong financial reputation and valuable heritage.

I wish to congratulate members of the Peet management and staff for again winning significant awards and recognition for planning and environmental management in several of our estates.

Peet's reputation has also been enhanced during the year by our work with the Western Australian State Government in two major joint venture projects. Both projects are of significant size and importance – one

a leader in environmental excellence and the other in urban renewal.

I would like to thank my fellow Board members for their effective, diligent and responsible work throughout the year. Comprising two Executive Directors Warwick Hemsley (Managing Director and CEO) and Anthony Lennon (National Business Development Director) and three Non-Executive Directors (Stephen Higgs, Graeme Sinclair and myself), I believe that the Board provides shareholder representation of the highest quality.

I wish to also note the contribution of key Board support officers, Company Secretary, Dom Scafetta, and Chief Financial Officer, Brendan Gore, and their assistants.

On behalf of the Board and our shareholders, I acknowledge the significant efforts and enthusiasm of the management and team of Peet Limited throughout the year. We employ some of the most experienced and skilled property experts in Australia, and it is due to their focus that we have again achieved pleasing results which exceed forecasts relating to both profit and shareholder returns.

Finally we thank our investors and shareholders for their ongoing support of our 111-year old business.

A handwritten signature in black ink that reads "Tony Lennon". The signature is written in a cursive, flowing style.

Tony Lennon
Chairman



'With a market capitalisation of around \$800 million, revenue of more than \$355 million, Peet Limited exemplifies significant capacity and management capability'



During the 2005/06 financial year, Peet Limited balanced strong financial performance from existing core operations with expansion of our asset and income base to provide solid platforms for the future. Our commitment to diversification into an expanded range of property and funds management services uniquely positions us for continued market resilience and growth.

The Company's recent rebranding has redefined our identity in today's competitive property market. With a market capitalisation of around \$800 million, revenue of more than \$355 million (Peet Group and managed entities), Peet Limited exemplifies significant capacity and management capability.

Our solid results were achieved in a mixed trading environment, with the residential land market in Western Australia continuing to deliver sound sales while demand in Victoria and Queensland remained steady. Peet has negligible exposure to the New South Wales market, where conditions are considered to be the most challenging.

Since our listing on the ASX in 2004, we have increasingly become a national organisation with a significant geographic spread, allowing increased management of risk. This year, 53% of earnings before tax were delivered by our operations in Victoria and Queensland, and we are well positioned to continue to take advantage of the best of market conditions throughout Australia.

Group cash flows remain strong, with operating cash flows supported by additional borrowings predominantly used to acquire and develop land during the year. At year end, gearing stood at 36% (based on total assets adjusted for market value) – remaining within our target range of 30-40% – and interest cover was a strong 7.6 times.

At year end, Peet's bank of owned and managed land – the third largest of Australia's ASX-listed property companies – comprised more than 27,500 lots, which would realise some \$4.6 billion if developed and sold at today's prices. This represents around 12 years' supply at current sales rates. This puts Peet in the enviable position of being able to be very selective in its ongoing acquisition program.

We have significantly boosted our acquisition activity this year, with 4,279 potential lots acquired throughout Western Australia, Victoria and Queensland, with a further pipeline of 2,215 under conditional contract.

Many of these additional landholdings have been acquired on favourable terms contracts, allowing the payment of the purchase price over a number of years.

Peet Limited does not just build estates – we create communities. This philosophy underpins all our development and value-adding activities, including our commitment to environmental excellence and sustainability.

While continuing our historic core activity of asset management and land development and resale, this year saw Peet move significantly forward in its program of community creation via residential, commercial and retail projects – both within our existing estates and on land purchased for these specific purposes.

At year end, planning and design for our first retirement community in Western Australia was underway, with further retirement projects being planned for the coming year at estates in Western Australia, Victoria and Queensland.

Peet's commercial and retail division had also progressed to the planning stages for shopping centres in two of our Perth estates and another in Melbourne. This division will continue to grow its retail activities, and will seek out opportunities to further diversify into areas such as medical centres, child-care facilities and industrial premises.

During the year, our fast-growing residential built form division, Peet Living, achieved planning permission for 120 apartments and townhouses in Perth, with further developments in the design stages.

As Australia's leading retail land syndicator, Peet posted a 21.5% increase in revenue from this area of operations for the 2005/06 year, with the growth influenced by strong demand for residential land in Western Australia and a steady market in Victoria and Queensland.

(Continued on page 10)

The three syndicates offered to the market during the year – two in Victoria and one in Western Australia – all closed within two weeks, oversubscribed.

The Company's syndicate pipeline is well established, and is set to continue to grow through 2007 and beyond. Continued solid economic conditions in Western Australia and expected stable market conditions in Victoria and Queensland should result in further improved growth from this division during the coming financial year.

The Peet Income Property Fund completed its first year with pleasing total performance of over 14%, and acquired two fully-leased and strategically-located industrial properties in Perth, positioning the Fund to continue its sound performance and high-yielding 100% tax-deferred distributions in the coming year.

While in its formative stages, the Joint Venture segment of Peet's operations showed increased revenue as a result of sound sales achieved at The Village at Wellard in Perth, a joint venture with the WA State Government.

Also in Perth, Quattro, The New Queens Park – a joint venture with the WA State Government – is a substantial urban renewal program involving the refurbishment of ageing homes, the creation of new vacant land and the beautification of the neighbourhood.

Peet Limited is targeting earnings after tax growth of 15% for the coming year – exceeding our longer-term target of 10% growth – with our dividend payout ratio set to remain at 90%.

Our continued profit growth forecast is grounded in our land bank and development diversification, with confidence provided by the extensive future land supply and our project production pipeline.

Peet's strong balance sheet and low gearing levels coupled with continued favourable economic conditions – particularly in Western Australia – and stable market conditions generate optimism for the year ahead.

The diversity of Peet's business model combined with recent land acquisitions positions the Company well to continue to grow its earnings in 2007. This includes the origination of new land syndicates, additional joint venture projects and expansion of the income property funds management business.

I would like to pay tribute to Peet's high-calibre team and their commitment to Peet's vision for the future, to continue to deliver quality returns to our shareholders and investors – creating prosperity through property.

Thank you.



Warwick Hemsley
Managing Director

Asset Management

Management of our property assets is the key foundation upon which Peet's success is built. The Company's substantial land bank of owned, joint venture and syndicated projects has a current end value upon development of \$4.6 billion. This provides the base for our current activities while our emerging diversification into retail, retirement and other value-adding operations will expand our asset management activities in 2007 and beyond.

Our ability to raise capital to extend our asset base is a key feature of Peet in today's property arena. Our working capital-efficient business model provides lower risk and facilitates company growth, which in turn leads to prosperity for our shareholders.

THE YEAR AT A GLANCE

\$1.2 billion
of managed
assets

Total assets under management of \$1.2 billion

A record 2,432 owned and managed lots sold for a total gross settlement value of more than \$355 million

In excess of 1,220 further lots that had sold, but had yet to settle, with a future settlement value of \$214 million as at 30 June 2006

Prepared development applications for three shopping centres in Western Australia and Victoria

Peet's first retirement development confirmed

Planning permission granted for two major townhouse/apartment developments

Acquisitions

Strategic land acquisition is the cornerstone of Peet's operations, providing the base from which residential subdivisions, land syndications and value-adding through commercial and retail developments can be realised.

A significant increase in acquisition activity saw 4,279 lots acquired throughout Western Australia, Victoria and Queensland – comprising a combination of residential and potential industrial lots – with a further pipeline of 2,215 lots under conditional contract. The zoned industrial lots, located in Victoria, provide potential feedstock for Peet's income funds.

Our future acquisition activity will continue to focus on the key states of Western Australia, Victoria and Queensland – with a range of opportunities currently under review.

Peet's acquisition strategy is based on forward planning with a focus on the next generation of home owners. Factors such as existing or projected population growth and level of development already underway or planned in a target area are strong drivers of land selection.

Peet Limited's very loyal investor base delivered over-subscription of all syndicate offers during the year. This strong investor support provides added confidence in our ability to fully capitalise on land development opportunities.

Land bank

Peet has a land bank owned and managed totalling over 27,500 lots, which – if sold at today's prices – would realise in excess of \$4.6 billion.

Our land bank represents around 12 years' supply at current sales rates. This puts Peet in the enviable position amongst its competitors of being able to be very selective in its ongoing acquisition program.

Such levels of supply also provide Peet with a unique lead-time - development can be timed to take maximum advantage of market conditions and local drivers. The establishment of this substantial asset over many decades allows for strategic, considered and well-timed development of this asset base.

During 2005/06, Peet posted a net increase in its land bank of 2,097 lots – an increase of 8% over the previous financial year.

We retain a careful, but visionary approach to optimal use of our land bank. Our focus is on considered management control of a stable product and annuity base, with risk managed through national diversification allowing the capture of the best of market cycles across the country.

The land bank is held via land syndication, joint venture and on balance sheet (owned projects).

Land Development

The Company's core business continues to be the creation of quality communities in strategic geographic locations across Australia. At year end, Peet was managing and developing over 50 estates in Western Australia, Victoria, Queensland and New South Wales.

Peet's ability to create successful communities is more than just a case of land acquisition and development – it is a result of our commitment to master planning estates in areas where people actually want to live. We build individually designed estates, creating desirable communities that reflect the social fabric of each particular high-growth location.

During 2005/06, there were 2,432 lots sold across 22 developing land estates – for a gross settlement value of more than \$355 million – illustrating the Company's expertise in strategic selection of popular, high-growth locations.

Our land development activities include both owned projects and syndicated projects managed by Peet. Owned projects accounted for 442 lot of sales and gross settlement revenue of \$80.3 million, while managed projects delivered fee income of \$31.5 million from 1,990 lots sold.

Peet's project pipeline is firmly established, underpinning our future growth targets.

Joint ventures

Peet's ability to seek out and purchase land for profitable development in the future is strengthened by our capacity to attract joint venture partners. Peet's joint venture partners value our stability and experience, our visionary approach and our position in the marketplace as financially capable, professional and ethical.

Joint ventures can be formed with government, statutory authorities and private landowners. At year end, Peet was working with joint venture partners in two major developments:

- **The Village at Wellard:** a joint venture with the Department of Housing and Works. Wellard is Western Australia's first greenfields transit oriented residential development on the future Southern Suburbs Railway.
- **Quattro:** Peet Limited is the Project Manager for this four-year urban renewal project – the biggest in Western Australia – together with the Department of Housing and Works.

Residential

Peet Living, our residential built form division, aims to create customised residential developments infusing lifestyle into design, and is currently developing a number of resort-style living solutions both within our land estates and on other selected land sites. These boutique developments offer a variety of apartment, townhouse and villa living opportunities, together with a range of private leisure facilities – all enclosed within a secure, gated complex.

During 2005/06, planning permission was granted for 120 townhouses and apartments in The Village at Wellard estate in Perth's south. Two further Perth developments – Grand 56 and Hammersmith Court – which had received planning permission in the previous financial year were progressed significantly, with detailed design, building approval and marketing activities being undertaken. Design and planning application work is currently underway for a number of other residential developments in Perth and Melbourne.

Retirement

Following the strategic appointment of a General Manager in May 2005, Peet has identified a number of sites within its existing land bank suitable for the development of distinctive over-55s communities and continues to research further opportunities.

We are proud to confirm our first retirement development is to be constructed within Peet's Lakelands Private Estate at Mandurah, a fast-growing coastal region south of Perth.

Peet's diversification into the retirement sector presents exciting opportunities for the Company, with new syndicate purchases in Byford (WA) and Cranbourne (Vic) providing strong prospects for future retirement developments within those estates.

Designed to meet changing expectations and lifestyle aspirations, our new communities will be very different to traditional retirement villages. The communities will range from larger, resort-style villages to smaller, boutique apartment and villa developments.



Commercial and retail

Peet is committed to providing our land estate residents with quality commercial facilities, including shopping centres, medical centres and child-care facilities.

Commercial and retail developments are of significant strategic importance for Peet Limited, supporting the value of a residential land offer while also providing desirable investment opportunities for Peet income funds.

During the year, the planning application was submitted for a shopping centre in the Carramar estate in Perth's northern suburbs, while similar applications are underway for shopping centres in The Village at Wellard in Perth's south, and Point Cook Junction estate in Melbourne's south-west in 2006/07.

Environmental excellence and sustainability

Peet strives for environmental excellence in our estates and developments, as verified by the number of awards and commendations received from such organisations as HIA GreenSmart, Greening Australia, Landcare and Waterwise.

During the year, Peet won a total of seven awards for Lakelands Private Estate and The Village at Wellard, both in Western Australia, with over half of these awards specifically relating to environmental excellence. The principles of sustainability are at the forefront of the decision-making process. The protection of fauna and flora plays a major role in the creation of sustainable environments in all Peet projects.

Peet is a major force in the HIA GreenSmart program, being an accredited GreenSmart Regional Partner in Western Australia and the first company in Victoria to construct a GreenSmart display village at Innisfail estate.

During 2005/06, Peet was named a GreenSmart National Leader, while The Village at Wellard – Western Australia's first greenfields transit oriented development – was named HIA GreenSmart Development of the Year.



Land Syndication

Peet's syndicates are typically structured as unlisted public companies that acquire strategic landholdings with the intention of subdividing and selling the resulting housing and other blocks. Profits are typically returned as fully-franked dividends with capital progressively returned to shareholders over the life of the project. Our syndicates are open to, and popular with, retail investors, allowing investments of as little as \$5,000 – a rare structure providing affordability and accessibility in an investment market historically dominated by institutions.

The unique structure of Peet Limited – acting as an umbrella project manager and marketing and selling manager for a large number of individual land syndicates – ensures that syndicates are not burdened with the high start-up costs associated with paying for their own individual project management in the lead-up to development.

THE YEAR AT A GLANCE

\$48.5 million
raised in
syndicate funding

\$48.5 million raised in syndicate funding for land developments

Peet Cranbourne Syndicate closed over-subscribed (\$20 million)

Peet Byford Syndicate closed over-subscribed (\$8.5 million)

Peet Cranbourne Central Syndicate closed over-subscribed (\$20 million)

Peet Limited confirmed as Australia's leading land syndicator

1,752 lots sold across 18 syndicated land developments

Total fee income from Peet's land syndication business increased by 21.5% to \$30.2 million

Land Sydication (continued)

In 2005/06, Peet Limited confirmed its position as Australia's leading retail syndicator of land developments, producing excellent returns to investors in the individual land syndicates under our management. Our land syndication business during the year delivered solid performance across the board in a challenging national environment.

Many of Peet's land developments are funded by syndicate investment – while others are wholly-owned or joint ventures. In the past year, \$48.5 million has been raised via syndicate investment for broadacre land in Western Australia and Victoria.

At year end, Peet Limited was developing 18 estates on behalf of syndicates.

Three new syndicates were offered to the market during the year, all with a general target performance of at least 15 to 20 per cent per annum pre-tax return on capital.

The Peet Cranbourne Syndicate acquired a 66-hectare parcel of land in Melbourne's south-east. Investors will share in the residential development of the land in the

suburb of Cranbourne West, 42 kilometres from Melbourne's CBD. The land lies within Melbourne's Urban Growth Boundary and the City of Casey's Cranbourne West and Lyndhurst Development Plan area.

In December 2005, the Peet Byford Syndicate purchased 19.7 hectares of strategically-placed land in the Perth suburb of Byford. Located in Perth's rapidly-expanding south-eastern corridor, Byford has recently become more accessible due to the expansion of a major highway, and the WA Planning Commission forecasts that an additional 2,750 homes will be built in the area over the next six years.

The Peet Cranbourne Central Syndicate acquired 64 hectares of land, also located in the Cranbourne area in the south-east of Melbourne. The property has been earmarked for subdivision and development of more than 700 residential lots and a commercial site. The syndicate's investors are well placed to benefit from Cranbourne's recent identification as a Principal Activity Centre by the Victorian Government, as part of its strategic direction plan 'Melbourne 2030'.

Peet's syndicate pipeline is well established to continue to grow through to 2007 and beyond. A number of projects in the concept stage have been earmarked for syndication, as the Company strives to expand and develop its efficient land syndication model so popular with investors.



Funds Management

As part of our commitment to diversification into an expanded range of property and funds management services, Peet Limited established the Peet Income Property Fund late in the 2004/05 year.

Having just celebrated the milestone of one year since inception, the Fund has fulfilled all its target performance objectives for 2005/06, following positive revaluations of its seven commercial and industrial property assets.

THE YEAR AT A GLANCE

\$34 million
funds under
management

560 unit holders joined the Fund in its first year

Currently \$34 million funds under management

Total return of 14.35% for 2005/06

Property values increased by 11%

Yield of 8.75% exceeded initial forecast

Distributions achieved 100% tax deferred status

Two industrial properties purchased in strategic Perth locations

Funds Management (continued)

Launched in June 2005, the Peet Income Property Fund celebrated its first year of operation with 560 unit holders benefiting from increased property revaluations.

The Fund's portfolio of non-CBD commercial and industrial properties generated an increase in property values of 11% upon independent revaluation as at 30 June 2006. The net asset value increased by 6% over the past year from 93.7 cents per unit to 99.3 cents per unit.

These achievements resulted in a total return to unit holders of 14.35%, representing the change in Net Tangible Assets plus distributions for the year of 8.75 cents per unit.

With a current unit price of \$1.11, the distribution for 2006/07 is forecast to be 9.16 cents per unit – a yield of 8.25%. Including an estimated 1.27 cents per unit as return of capital, the forecast distribution will be 100% tax deferred – again, exceeding initial expectations.

As at 30 June 2006, the Peet Income Property Fund managed a portfolio of buildings worth over \$27 million situated in Brisbane (QLD), Canning Vale (WA), and Naval Base (WA) with a concentration of high-yielding, well-leased commercial properties.

The open-ended structure of the Fund will allow the acquisition of further quality assets, providing tax-effective income distributions to unit holders as well as the potential for capital growth. The management style of the Fund is to purchase assets that will be held as long-term investments.

Five of the Fund's properties are situated in the Brisbane Technology Park in Eight Mile Plains, 14 kilometres south of the Brisbane CBD. The near-new commercial buildings are attractively designed and fully let on long leases, ensuring security for investors. The Park has excellent access to major arterial roads leading to the city, airport and the Gold Coast, and is in an area which has experienced strong growth in employment and population over recent years.

On 1 July 2005, the Fund acquired a fully-leased industrial office, warehouse and food processing facility in the popular industrial area of Canning Vale, a fast-growing suburb in Perth's south-east. This property was the first purchase to fulfil our strategy of pursuing opportunities presented by Perth's industrial markets.

A further addition to the portfolio for the 2005/06 year was a cluster of three buildings in Naval Base (WA), comprising office, Warehousing and manufacturing space, purchased on 12 May 2006. Naval Base is situated in a location which is becoming recognised as central to the servicing of Perth's southern corridor as well as having proximity to Kwinana and the new water desalination plant under construction nearby.

Since year end, the Fund has purchased a further industrial property in Canning Vale (WA) and a property in Darwin (NT) is currently awaiting settlement.

Peet Limited intends to expand its funds management activities into the future, offering investors a wider choice of income-producing, fixed-term, sector-specific funds that focus on industrial, retail and office property across Australia.





15 SEPTEMBER 2006

Record date for final dividend in respect to the year ended 30 June 2006.

29 SEPTEMBER 2006

Annual report for the year ended 30 June 2006 lodged with ASIC.

12 OCTOBER 2006

Annual Report despatch to shareholders.

17 OCTOBER 2006

Payment date for final dividend in respect to the year ended 30 June 2006.

15 NOVEMBER 2006

Annual general meeting to be held at Hilton Perth Hotel, Mill Street, Perth at 10.00am (WST)

MID FEBRUARY 2007

Release of Half Year Results.

19 MARCH 2007

Record date for Interim 2007 dividend.

16 APRIL 2007

Interim 2007 dividend to be paid.



Outlined below are the main Corporate Governance policies and practices in place during the 2006 financial year. Unless otherwise stated, these are consistent with the ASX Corporate Governance Council's principles and recommendations and copies of relevant charters and policies are available at www.peet.com.au.

Role of the Board

The Board is responsible for the overall corporate governance of the Peet Group. Under the Board charter, the Board's responsibilities include:

- setting strategic direction of the Peet Group and monitoring management's performance within that framework;
- ensuring there are adequate resources available to meet the Peet Group's objectives;
- appointing and removing the Managing Director/Chief Executive Officer and overseeing succession plans for the senior executive team;
- approving and monitoring financial reporting and capital management;
- approving and monitoring the progress of business objectives;

- ensuring that any necessary statutory licences (for example, Australian Financial Services Licence) are held and compliance measures are maintained to ensure compliance with the law and licence(s);
- ensuring that adequate risk management procedures are in place;
- ensuring that the Peet Group has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company.

Composition of the Board

Under the Constitution, the minimum number of Directors is three. The maximum number of Directors is to be fixed by the Directors, but may not be more than 14, unless the Company in general meeting resolves otherwise. At the date of this report, the Board comprises two Executive Directors and three Non-Executive Directors.

Board Members

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the Board of Directors section of this report.

The ideal is to have the Board consist of a majority of independent Non-Executive Directors; however, the Board has agreed to an interim policy during the terms of the existing directors at the time of listing of Peet on the ASX. Such policy permits the Board to consist of three Non-Executive Directors (one of whom is Chairman) and two Executive Directors.

The Non-Executive Chairman is not independent but the Board strongly believes that due to the wealth of experience in Peet's business sector and knowledge of the Peet Group business that he brings to the Board, he is the most suitable person to occupy the position of Chairman.

Mr Stephen Higgs is deemed to be independent under the principles on page 22.

Mr Graeme Sinclair is deemed to be independent under the principles on page 22.

Directors' Independence

The board has recently amended its principles in relation to directors' independence, which are set out in the Company's Board Charter as follows:

An independent director is defined as a Non-Executive Director and:

- is not a substantial (as defined by Corporations Act) shareholder of the Company or an officer of, a substantial shareholder who has a financial interest in the substantial shareholder;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;

- is not a material supplier or customer of the Company or other group member, or an officer of a material supplier or customer who has a financial interest in the material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company;
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

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

Term of Office

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

Chairman and Managing Director

The roles of Chairman and Managing Director are strictly separated.

The Chairman is responsible for:

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

The Managing Director is responsible for:

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

Independent Professional Advice

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

Performance Assessment

Since the last Annual Report, the Board has undergone a formal assessment process, including assessment of the Board's committees. An independent, third party consultant facilitated the process.

The assessment process required each director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. Senior executives having most direct contact with the Board were also invited to complete similar questionnaires. Responses to the questionnaires were confidential, and were provided direct to the consultant, with the results in aggregate then being communicated to the Chairman.

The Board as a whole held a further, facilitated, discussion. As part of this process, each Board member had the opportunity to raise any matter, suggestion for improvement or criticism with the Board, as a whole.

As the current composition of the Board has only been in place since the Company listed in August 2004, it was not considered appropriate to undertake personal assessments with each individual director. As the Company expands and matures as a listed entity, the Board assessment process will be appropriately refined.

The Chairman and Mr Graeme Sinclair will be retiring by rotation and will be offering themselves for re-election at the 2006 Annual General Meeting. The board supports their re-election.

Nomination Committee

No nomination committee currently exists.

The Board believes that the current composition has the necessary skills and motivation to ensure that the Company continues to perform strongly, notwithstanding that its overall composition does not meet ASX guidelines on independence.

Any changes to directorships will, for the foreseeable future, be considered by the full Board subject to any applicable laws. Accordingly, a nominations committee has not been established.

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

The Board will then appoint the most suitable candidate who must stand for election at the next annual general meeting of the Company. The Board's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company.



Board Committees

The following sub-committees serve the Board:

Remuneration Committee

The Remuneration Committee meets as frequently as required and during the year held two meetings. The Committee operates in accordance with its charter which is available on the Company’s website. Its primary function is, having received and considered proposals from senior management, to make recommendations to the Board on:

- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- recruitment, retention and termination policies for senior management;
- incentive schemes;
- superannuation arrangements;
- senior management succession plan; and
- the remuneration framework for Directors, including Non-Executive Directors.

The Remuneration Committee consists of a minimum of two Directors with a majority of Non-Executive Directors.

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

The members of the committee during the year were:

- Mr S Higgs (Chairman) - Independent Non-Executive Director
- Mr G Sinclair - Independent Non-Executive Director
- Mr T Lennon - Non-Executive Chairman

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

Information on key management personnel remuneration is set out in the Directors’ report.

Audit and Risk Management Committee

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

The committee’s primary responsibilities include the following:

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



Risk Management

The Board recognises the importance of managing the risks associated with Peet’s business operations and has adopted a formal Risk Management Plan. While the identification, monitoring and reporting of risks occurs continually, management reviews the Risk Management Plan periodically to ensure its ongoing relevance.

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

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

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

At the discretion of the Committee, the external auditor and other members of the Board and management are invited to Audit and Risk Management Committee meetings as and when considered appropriate. The Audit and Risk Management Committee will consider any matters relating to the financial affairs of Peet and any other matter referred to it by the Board.

The Audit and Risk Management Committee charter requires the committee to meet at least three times a year. The Committee held four meetings during the year, which were also attended by the Executive Directors and the Chief Financial Officer. The external auditors attended two of the four meetings.

The members of the committee during the year were:

- Mr G Sinclair (Chairman) - Independent Non-Executive Director
- Mr S Higgs - Independent Non-Executive Director
- Mr T Lennon - Non-Executive Chairman

Although Mr Sinclair is an officer of a substantial shareholder, he is considered to be independent as he has no financial interest in the substantial shareholder and does not participate in discussions of the substantial shareholder’s Board concerning Peet Limited.

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

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

Compliance Committee

The Compliance Committee is responsible for monitoring and reviewing the effectiveness of the various Compliance Plans and functions governing the various Managed Investment Schemes for which Peet acts as Responsible Entity and Custodian.

The members of the Compliance Committee during the year were:

- Mr D Rundle - external member
- Mr A Hicks - external member
- Mr W Hemsley - executive member

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

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

The Committee meets at least quarterly and is required to report breaches of the Corporations Act 2001, the company’s Australian Financial Services Licence and the various Managed Investment Schemes’ Constitutions to the Board, which is then required to report to ASIC any significant breach of obligations.

External Auditors

The Company and Audit and Risk Management Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers were appointed as the external auditors in 1998. Following the enactment of CLERP9 on 1 July 2004, which introduced a five-year rotation requirement, PricewaterhouseCoopers have confirmed that the current audit engagement partner's last audit will be for the year ending 30 June 2007.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in note 27 to the financial report.

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

Corporate Reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

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

Promotion of Ethical and Responsible Decision-Making

Code of Conduct

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

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

Share Trading Guidelines Employees

Employees, other than directors or senior management, may buy or sell Peet shares on the ASX in the period of 60 days commencing 48 hours following:

- the announcement of half-yearly results;
- the announcement of annual results; or
- the holding of the Annual General Meeting.

except where an employee is in possession of price sensitive information or where the Company is in possession of price sensitive information and has, during the 'window' set out above, notified the employee that they may not buy or sell shares during all or part of any such period.

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

During other periods

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

Directors and Senior Management

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

Additionally, before directors and senior management can deal in Peet's shares during the windows previously mentioned they must receive clearance for any proposed dealing in Peet's shares as follows:

- a director of Peet (including the Managing Director) must inform and receive approval from the Chairman prior to undertaking a transaction;
- the Chairman must obtain approval from the Board or the next most senior director, prior to undertaking a transaction; and
- senior management must inform and receive approval from the Managing Director prior to undertaking a transaction.

Short-term dealing

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

Continuous Disclosure Policies and Shareholder Communication

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

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

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX).

This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Information is communicated to shareholders as follows:

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

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

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

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



From left to right: Graeme Sinclair, Warwick Hemsley, Stephen Higgs, Tony Lennon and Anthony Lennon.

Tony Lennon

Chairman

Mr Lennon has been a Director since 1985 and controls a major shareholding in Peet. He was Executive Chairman until 2004. He has more than 40 years broad experience in the property industry. He is a qualified valuer and has had many years experience in various classes of property.

Mr Lennon is a Fellow of the Australian Institute of Company Directors and an Associate of the Australian Property Institute.

Mr Lennon has also been involved extensively in community roles. He was Chairman of Perth Inner City Living Task Force and also Chairman of the Residential Densities Review Task Force, both appointments by the Government of Western Australia.

He is a former President and Councillor of the Shire of Peppermint Grove in Western Australia. He has served as Deputy Chairman of the National Australia Day Council and Chairman of the Australia Day Council of Western Australia.

Warwick Hemsley

BComm, AssocDipVal, CPA, FAPI
Managing Director

Mr Hemsley has been a Director and a significant shareholder of Peet since 1985, serving as Managing Director for the last 15 years. After graduating from the University of Western Australia, he commenced his professional career with Coopers & Lybrand (now PricewaterhouseCoopers) and subsequently moved into the property development industry and gained his formal property qualifications. He has 29 years experience in property development.

Mr Hemsley is currently a member of the General Council of the Western Australian Chamber of Commerce and Industry and former Chairman of its Capital City Committee. He is currently Chairman of the Housing Industry Forecasting Group, a joint government and industry body which monitors and forecasts housing demand.

Mr Hemsley has been actively involved in policy development related to residential development.

He is also a Board member of The Western Australian Opera Company and has served a number of community roles. He was formerly Chairman of the Australia Day Council of Western Australia, a member of the School Council of St Hilda's Anglican School for Girls, a national Board member of Kids Helpline Australia and a Treasurer of St George's Charitable Trust. He was an active Rotarian for many years.

Stephen Higgs

BEc (Syd)
Independent Non-Executive Director

Mr Higgs has been a Director of Peet since 16 June 2004. He has had 30 years experience in corporate finance including 20 years with UBS Investment Bank and its predecessors. During that period, he served as a Director and Head of Corporate Finance. He also built a leadership position in the private equity market, serving on the board of several companies in which investments were made such as Chairman of Orlando Wines Limited, and Non-Executive Director of Jasco Limited, Leigh Mardon Pty Limited and National Properties Limited.

Mr Higgs is currently a Non-Executive Director of Primary Healthcare Limited (since 1999), IPAC Securities Limited (since 2001), Rural Press Limited (since 1999) and So Natural Foods Limited (since 2003).

He is Chairman of the Juvenile Diabetes Research Foundation Australia.

Graeme Sinclair

BComm, CA, ACIS, FAICD

Independent Non-Executive Director

Mr Sinclair is a qualified Chartered Accountant with over 30 years experience in investment and wealth management services including property investment. He has been a Director of Peet since 16 June 2004.

After completing his qualification with Peat Marwick Mitchell & Co (now KPMG) in 1971, he transferred to the firm's London office.

Mr Sinclair joined the Myer family group in 1973 and is currently the Managing Director of The Myer Family Company Pty Ltd and group Chief Executive Officer. The group comprises investment companies and provides ASIC-licensed financial services through The Myer Family Office Ltd and its subsidiaries. He is also a director of several private companies.

Additionally, he has been involved in philanthropic activities including positions as Secretary of The Myer Foundation and the Sidney Myer Fund.

Anthony Lennon

BA, GradDip BusAdmin

Executive Director

Mr Lennon joined the Company in 1991 and became a Director in 1996. Prior to that, he worked in the United Kingdom, where he completed his Post Graduate Diploma in Business Administration whilst on a Graduate Management Training Scheme with international construction and development company, John Laing plc. Whilst working for John Laing plc, he gained experience in a number of areas including planning, marketing, feasibility studies and project management.

Since joining Peet, Mr Lennon's responsibilities have included project management, broadacre acquisitions, marketing and financing.

He was Chairman of Conveyancing Services for six years during which time it became one of Western Australia's largest property conveyancing companies.

He has lived in Victoria for over eight years and has held the position of Director of Marketing and Director of Eastern States Operations. He is now the National Business Development Director.

Your directors present their report on the consolidated entity consisting of Peet Limited (the Company) and the entities it controlled at the end of, or during, the financial year ended 30 June 2006 (Peet Group).

1 DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up until the date of this report:

AW Lennon (Chairman and Non-Executive Director)
WD Hemsley (Managing Director)
SF Higgs (Non-Executive Director)
GW Sinclair (Non-Executive Director)
AJ Lennon (Executive Director)

2 PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were asset management, funds management, land syndication, capital raising, underwriting and land development. There was no significant change in the nature of the activities during the year.

3 REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS

GROUP FINANCIAL SUMMARY	CONSOLIDATED	
	2006 \$'000	2005 \$'000
Revenue	113,626	72,274
Expenses	(60,087)	(27,835)
EBIT	53,539	44,439
Interest expense	(1,093)	(1,281)
Profit before tax	52,446	43,158
Income tax expense	(15,612)	(13,555)
Profit attributable to members of Peet Limited	36,834	29,603

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

4 EARNINGS PER SHARE

	2006 Cents	2005 Cents
Basic earnings per share	18.4	14.8
Fully diluted earnings per share	18.3	14.8

Basic earnings per share is calculated after income tax expense based on the 200 million shares on issue at 30 June 2006.

5 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 30 June 2006 a general meeting of shareholders of the Company resolved to abbreviate the name of the company from Peet & Company Limited to Peet Limited.

Other changes in the state of affairs of the Company during the financial year are set out in the various sections in the Peet Annual Report. Other than those, there were no significant changes in the Company's state of affairs during the financial year.

6 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

7 LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

8 DIVIDENDS

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

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED/ UNFRANKED
Declared and paid during the year				
Interim 2006 ordinary	7.5	15,002	19 April 2006	Franked
Further final 2005 ordinary	2.5	5,001	16 December 2005	Franked
Final 2005 ordinary	7.0	14,001	20 October 2005	Franked
	17.0	34,004		
Declared after year end				
Final 2006 ordinary	9.5	19,002	17 October 2006	Franked

Franked dividends declared or paid during the year were fully franked.

The financial effect of the dividend declared subsequent to reporting date has not been brought to account in the financial statements for the year ended 30 June 2006 and will be recognised in a subsequent financial report.

Dividends per share amount is based on the 200 million ordinary shares on issue at 30 June 2006.

9 ENVIRONMENTAL REGULATION

The consolidated entity is subject to environmental regulation by way of the *Environmental Protection Act 1986* (as amended) in respect of its Western Australian land subdivision activities, the *Environmental Protection Act 1970* (as amended) in respect of its Victorian subdivision activities, the *Environmental Protection Act 1994* (including Regulations 1998) and the *Integrated Planning Act* in respect to its Queensland land subdivision activities and the *Environmental Planning and Assessment Act 1979* in respect of its New South Wales subdivision activities.

The Company is not aware of any non-compliance.

10 INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Refer to the Board of Directors section of this report for information on directors.

Company Secretary

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

11 DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

DIRECTOR	INTEREST IN ORDINARY SHARES At 30 June 2006	INTEREST IN OPTIONS At 30 June 2006	INTEREST IN ORDINARY SHARES At the date of this report	INTEREST IN OPTIONS At the date of this report
AW Lennon	70,010,448	-	70,010,448	-
WD Hemsley	20,022,000	600,000	20,022,000	600,000
SF Higgs	800,000	-	800,000	-
GW Sinclair	50,000	-	50,000	-
AJ Lennon	202,208	600,000	202,327	600,000

AW Lennon holds 10,448 shares in his own name. The remaining 70,000,000 is held in the name of Scorpio Nominees Pty Ltd as trustee for the Gwenton Trust. AW Lennon is a director and shareholder of Scorpio Nominees Pty Ltd. AW Lennon and AJ Lennon are beneficiaries of the Gwenton Trust, which is a discretionary family trust.

12 DIRECTORS' MEETINGS

The number of meetings of the Board of Directors and of Board Committees and the number of meetings attended by each director during the financial year were:

DIRECTOR	BOARD OF DIRECTORS		AUDIT & RISK MANAGEMENT COMMITTEE		REMUNERATION COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended
AW Lennon	12	12	4	4	2	2
WD Hemsley	12	12	-	-	-	-
AJ Lennon	12	12	-	-	-	-
SF Higgs	12	11	4	4	2	2
GW Sinclair	12	12	4	4	2	2

13 RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Directors are elected at the annual general meeting (AGM) of the Company. Retirement will occur on a rotational basis so that one third of the directors, but not less than two, shall retire at each AGM. The directors may also appoint a director to fill a casual vacancy on the board or in addition to the existing directors, who will then hold office until the next AGM. No director who is not the Managing Director, may hold office without re-election beyond the third AGM following the meeting at which the director was last elected or re-elected.

14 REMUNERATION REPORT

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Directors and key management personnel disclosures

Principles Used to Determine the Nature and Amount of Remuneration (audited)

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment to executive compensation
- Capital management

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- Has economic profit as a core component of plan design
- Focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high calibre executives

Alignment to program participants' interests:

- Rewards capability and experience
- Reflects competitive reward for contribution to shareholder growth
- Provides a clear structure for earning rewards
- Provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

Non-Executive Directors' Fees

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

14 REMUNERATION REPORT (CONTINUED)

Principles Used to Determine the Nature and Amount of Remuneration (audited) (continued)

Non-Executive Directors' Fees (continued)

The current base remuneration was last reviewed with effect from 16 June 2004. The Chairman's and non-executive directors' remuneration is inclusive of committee fees and for their membership on subsidiary boards. Non-executive directors' fees, including the Chairman's, are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$600,000.

No retirement allowances are payable.

Executive Directors' Pay

The Executive Directors' pay and reward framework has four components:

- Base pay and benefits;
- Short-term performance incentives;
- Long-term incentives through participation in the Peet Limited Employee Share Option Plan (ESOP); and
- Other remuneration such as superannuation.

The combination of these comprises the directors' total remuneration.

Base Pay

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non financial benefits.

Directors are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for directors is reviewed annually to ensure the directors' pay is competitive with the market.

There are no guaranteed base pay increases fixed in any directors' contracts.

Short-Term Incentives (STI)

Each executive director has a target STI opportunity depending on the accountabilities of the role and impact on the Company's performance. The maximum target bonus opportunity is 75% of total base salary.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met.

Other Key Management Personnel Remuneration

The key management personnel and reward framework has four components:

- Base pay and benefits;
- Short-term performance incentives;
- Long-term incentives through participation in the Peet Limited Employee Share Option Plan (ESOP); and
- Other remuneration such as superannuation.

The combination of these comprises the key management personnel's total remuneration.

14 REMUNERATION REPORT (CONTINUED)

Principles Used to Determine the Nature and Amount of Remuneration (audited) (continued)

Base Pay

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non financial benefits.

Key management personnel are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants will provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for key management personnel is reviewed annually to ensure the key management personnels' pay is competitive with the market. Key management personnel pay is also reviewed on promotion.

Short-Term Incentives (STI)

Bonuses may be awarded to key management personnel at the discretion of the remuneration committee in acknowledgement of exceptional performance.

Directors and Other Key Management Personnel Disclosures

Directors

The following persons were directors of the Company and the Group during the financial year and up until the date of this report:

- AW Lennon (Chairman and Non-Executive Director)
- WD Hemsley (Managing Director)
- SF Higgs (Non-Executive Director)
- GW Sinclair (Non-Executive Director)
- AJ Lennon (Executive Director)

Other Key Management Personnel

The following were key management personnel of the Company and the Group during the financial year and up until the date of this report with the greatest authority for strategic direction and management:

- B Gore (Chief Financial Officer)
- N Hinchcliff (Operations Manager, WA)
- L McGill (General Manager, Residential and Commercial Built Form)
- P Lynch (State Business Development Manager, WA)
- D Scafetta (Company Secretary)
- S Kenney (General Manager, Retirement Housing)
- D Mulder (Operations Manager, Vic)
- P MacLeod (State Business Development Manager, Qld)

Details of Remuneration (audited)

Details of the remuneration of each director of the Company and each of the eight other key management personnel, including their personally-related entities, who received the highest remuneration for the year ended 30 June 2006, are set out in the following tables, which also includes the five highest paid executives of the parent entity.

14 REMUNERATION REPORT (CONTINUED)

Details of Remuneration (audited) (continued)

Directors' and Other Key Management Personnel Benefits (audited)

Directors		SHORT-TERM BENEFITS				POST-EMPLOYMENT SHARE-BASED BENEFITS		Total \$	Remuneration Consisting of options %	Value at grant date shown as part of remuneration for year %
		Cash salary and fees \$	Bonus ^{1,2} \$	Other \$	Super \$	Shares/Options ^{3,5} \$				
AW Lennon	2006	162,800	-	-	18,780	-	181,580	-	-	
	2005	156,250	-	-	14,063	-	170,313	-	-	
WD Hemsley	2006	339,413	225,000	10,000	100,587	28,000	703,000	4.0	12.0	
	2005	378,252	225,000	10,462	38,702	28,000	680,416	4.1	12.3	
S Higgs	2006	60,000	-	-	5,400	-	65,400	-	-	
	2005	62,500	-	-	5,625	-	68,125	-	-	
G Sinclair	2006	5,000	-	-	60,400	-	65,400	-	-	
	2005	5,000	-	-	62,917	-	67,917	-	-	
AJ Lennon	2006	325,130	175,000	13,000	12,185	28,000	553,315	5.1	15.2	
	2005	307,535	175,000	12,177	11,522	28,000	534,234	5.2	15.7	
Total	2006	892,343	400,000	23,000	197,352	56,000	1,568,695			
	2005	909,537	400,000	22,639	132,829	56,000	1,521,005			

14 REMUNERATION REPORT (CONTINUED)

Details of Remuneration (audited) (continued)

Directors' and Other Key Management Personnel Benefits (audited) (continued)

Other Key Management Personnel	Year	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		SHARE-BASED PAYMENT		Total \$	Remuneration Consisting of options %	Value at grant date shown as part of remuneration for year %
		Cash salary and fees \$	Bonus ^{1,2} \$	Other \$	Super \$	Shares/Options ^{2,4} \$	Options %				
B Gore	2006	222,380	60,000	-	12,139	10,030	-	304,549	3.3	18.0	
	2005 ³	24,069	506	-	1,337	-	-	25,912	-	-	
N Hinchcliff	2006	174,312	45,000	-	17,339	4,667	-	241,318	1.9	5.8	
	2005	155,963	25,000	-	17,010	4,309	-	202,282	2.1	6.9	
L McGill	2006	151,260	42,500	-	14,656	7,232	-	215,648	3.4	10.8	
	2005	98,963	37,500	-	9,083	4,309	-	149,855	2.9	9.3	
P Lynch	2006	166,055	-	-	18,248	5,600	-	189,903	2.9	8.9	
	2005	133,016	45,000	-	14,945	5,170	-	198,131	2.6	8.5	
D Scafetta	2006	149,740	10,000	-	12,360	9,333	-	181,433	5.1	15.4	
	2005	143,998	5,000	-	11,522	8,617	-	169,137	5.1	16.6	
S Kenney	2006	136,166	10,000	-	12,139	12,420 ⁵	-	170,725	1.4	16.0	
	2005 ³	12,592	273	-	1,073	-	-	13,938	-	-	
D Mulder	2006	123,911	20,000	-	11,147	7,232	-	162,290	4.5	14.4	
	2005	91,743	10,000	-	8,257	4,309	-	114,309	3.8	12.2	
P MacLeod	2006 ³	119,863	29,000	-	10,391	-	-	159,254	-	-	
	2005	-	-	-	-	-	-	-	-	-	
Total	2006	1,243,687	216,500	-	108,419	56,514	-	1,625,120	-	-	
	2005	660,344	123,279	-	63,227	26,714	-	873,564	-	-	

¹ All cash bonuses are earned in the financial year to which they relate and are paid during the following financial year.

² No cash bonuses or options were forfeited during the financial year.

³ Key management personnel employed part way through the financial year.

⁴ Options Granted - includes the executive and employee share option plan as disclosed in note 38 to the financial statements. The 'Value Placed on Options' in the table above is based on the valuation at the date of grant using the Black-Scholes model, pro-rated over the period from grant date to vesting date.

⁵ Share-based payment includes \$10,000 of Peet Limited shares.

14 REMUNERATION REPORT (CONTINUED)

Service Agreements (audited)

Remuneration and other terms of employment for the executive directors are formalised in service agreements. Major provisions of the agreements are set out below.

WD Hemsley, Managing Director

- Term of Agreement - 3 years commencing 5 August 2004;
- Base salary, inclusive of superannuation, of \$450,000 to be reviewed annually by the remuneration committee; and
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 6 months base salary is payable in lieu of notice.

AJ Lennon, National Business Development Director

- Term of Agreement - 3 years commencing 5 August 2004;
- Base salary, inclusive of superannuation, of \$350,000 to be reviewed annually by the remuneration committee; and
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 6 months base salary is payable in lieu of notice.

Individual service contracts do not exist for other key management personnel.

Share-Based Compensation (audited)

The establishment of the Peet Limited ESOP was approved by the Board during the 2004 financial year. Employees of any Peet Group company (including Executive Directors) will be eligible to participate in the ESOP at the discretion of the Board.

Invitations to apply for options

Eligible employees, at the discretion of the Board, may be invited to apply for options on terms and conditions to be determined by the Board including as to:

- the method of calculation of the exercise price of each option;
- the number of options being offered and the maximum number of shares over which each option is granted;
- the period or periods during which any of the options may be exercised;
- the dates and times when the options lapse;
- the date and time by which the application for options must be received by Peet; and
- any applicable conditions which must be satisfied or circumstances which must exist before the options may be exercised.

Eligible employees may apply for part of the options offered to them, but only in specified multiples.

Consideration

Unless the Board determines otherwise, no payment will be required for a grant of options under the ESOP.

Exercise conditions

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option must be satisfied. However, the Board has the discretion to enable an option holder to exercise options where the exercise conditions have not been met, including, for example, where a court orders a meeting to be held in relation to a proposed compromise or arrangement in respect of the Company, or a resolution is passed or an order is made for winding up the Company.

Options granted under the plan carry no dividend or voting rights.

14 REMUNERATION REPORT (CONTINUED)

Share-Based Compensation (audited) (continued)

Lapse of options

Unexercised options will lapse upon the earlier to occur of a variety of events specified in the rules of the ESOP, including, on the date or in circumstances specified by the Board in the invitation, failure to meet the options' exercise conditions in the prescribed period or on the 5 year anniversary of the date of grant of the options.

Share Options Granted to Directors

On 18 June 2004, options under the Company's ESOP scheme were granted to WD Hemsley and AJ Lennon. Both Directors were each granted 600,000 options convertible to ordinary shares on a 1:1 basis at an exercise price of \$1.20 per share. The options are not exercisable until the third anniversary of the grant date and providing other conditions have been met and expire five years from the grant date.

Exercise Conditions for Options

The exercise condition in respect of the options is based on a blended performance hurdle being achieved combining external and internal performance measures calculated at the end of the performance period, being three years from the grant date.

The external hurdle is based on total shareholder return (TSR) as measured against other companies in the S&P/ASX Small Ordinaries Index. The TSR hurdle relates to 50% of the options or 300,000 options. TSR is, broadly, a measure of the return to shareholders provided by share price appreciation, plus reinvested dividends, expressed as a percentage of investment.

The TSR hurdle is tested at the end of the performance period (three years from grant) by calculating the TSR performance of each company in the selected benchmark group. The performance of each company is then ranked in the group using percentiles. Peet Limited's TSR performance is then calculated at the end of the performance period and compared to the percentile rankings.

The number of options which will vest and become exercisable will depend on the Company's TSR ranking against the benchmark group as per the following table:

COMPANY PERFORMANCE (TSR PERCENTILE RANKING)	PERCENTAGE OF OPTIONS VESTING
At or below the 50th percentile	0%
At the 51st percentile	50%
Between the 51st percentile and 75th percentiles	an additional 2% of options will vest for every percentile increase in TSR ranking.
75th percentile or above	100%

The internal hurdle is based on earnings per share (EPS), with a target level expressed as an average compound per annum growth over the three year vesting period, and relates to the remaining options, (i.e. 300,000 options). The EPS hurdle operates as follows:

AVERAGE COMPOUND GROWTH IN EPS OVER A THREE-YEAR PERFORMANCE PERIOD	PROPORTION OF OPTIONS THAT MAY BE ELIGIBLE TO VEST
Less than 7% per annum	None
7% per annum	50%
9% per annum	75%
11% per annum	100%

In relation to the initial grant, the TSR and EPS hurdles will be calculated at the end of the three year performance period.

14 REMUNERATION REPORT (CONTINUED)

Share-Based Compensation (audited) (continued)

Share Options Granted to Employees

During the financial year, an aggregate of 600,000 options were granted to employees under the Company's ESOP scheme. The options are not exercisable until their third anniversary of the grant date and expire five years from the grant date. The options exercise price and grant date are detailed in the table below.

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, 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 model inputs for options granted during the year ended 30 June 2006 included:

GRANT DATE	EXERCISE PRICE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXPECTED PRICE VOLATILITY OF SHARES	RISK FREE INTEREST RATE
17 August 2005	\$1.71	17 August 2010	\$1.71	30%	5.44%
22 July 2005	\$1.75	22 July 2010	\$1.75	30%	5.44%
1 September 2005	\$2.04	1 September 2010	\$2.04	30%	5.44%
8 February 2006	\$2.81	8 February 2011	\$2.81	30%	5.44%
2 May 2006	\$3.09	2 May 2011	\$3.09	30%	5.44%
24 May 2006	\$3.42	24 May 2011	\$3.42	30%	5.44%

Shares Under Option

Unissued ordinary shares of the Company under option amounted to 3,647,000 at the date of this report. The details of the options are as follows:

NO. OF OPTIONS	EXERCISE PRICE	GRANT DATE	VESTING DATE	EXPIRY DATE
1,200,000	\$1.20	18 June 2004	18 June 2007	18 June 2009
1,847,000	\$1.20	28 July 2004	28 July 2007	28 July 2009
20,000	\$1.71	17 August 2005	17 August 2008	17 August 2010
10,000	\$1.75	22 August 2005	22 August 2008	22 August 2010
400,000	\$2.04	1 September 2005	1 September 2008	1 September 2010
100,000	\$2.81	8 February 2006	1 May 2009	8 February 2011
20,000	\$3.09	2 May 2006	2 May 2009	2 May 2011
50,000	\$3.42	24 May 2006	24 May 2009	24 May 2011
3,647,000				

14 REMUNERATION REPORT (CONTINUED)

Share-Based Compensation (audited) (continued)

Option Holdings

The number of options over ordinary shares in the Company held during the financial year by each director of the Company and each of the eight key management personnel of the consolidated entity, including their personally-related entities, are set out below:

	FOR THE YEAR ENDED 30 JUNE 2006				
	Balance at the Start of the Year	Granted during the Year as Remuneration	Exercised During the Year	Balance at the End of the Year	Vested and Exercisable at the End of the Year
Directors					
AW Lennon	-	-	-	-	-
WD Hemsley	600,000	-	-	600,000	-
SF Higgs	-	-	-	-	-
GW Sinclair	-	-	-	-	-
AJ Lennon	600,000	-	-	600,000	-
Other Key Management Personnel					
B Gore	-	170,000	-	170,000	-
N Hinchcliff	100,000	-	-	100,000	-
L McGill	100,000	30,000	-	130,000	-
P Lynch	120,000	-	-	120,000	-
D Scafetta	200,000	-	-	200,000	-
S Kenney	-	70,000	-	70,000	-
D Mulder	100,000	30,000	-	130,000	-
P MacLeod	-	-	-	-	-

During the financial year, no options were exercised by directors or key management personnel.

Share-Based Compensation

Further details relating to options are set out below.

	VALUE AT GRANT DATE \$	VALUE AT GRANT DATE SHOWN AS PART OF REMUNERATION FOR THE YEAR \$	VALUE AT GRANT DATE TO BE EXPENSED IN FUTURE YEARS \$
Directors			
WD Hemsley	84,000	28,000	27,079
AJ Lennon	84,000	28,000	27,079
Other Key Management Personnel			
B Gore	54,700	10,030	44,670
N Hinchcliff	14,000	4,667	5,025
L McGill	23,300	7,232	11,760
P Lynch	16,800	5,600	6,030
D Scafetta	28,000	9,333	10,049
S Kenney	27,200	2,420	24,780
D Mulder	23,300	7,232	11,760
P MacLeod	-	-	-

14 REMUNERATION REPORT (CONTINUED)

Share-Based Compensation (audited) (continued)

Share Holdings

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

	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Directors				
AW Lennon	70,010,448	-	-	70,010,448
WD Hemsley	20,022,000	-	-	20,022,000
SF Higgs	800,000	-	-	800,000
GW Sinclair	50,000	-	-	50,000
AJ Lennon	201,095	-	1,113	202,208
Other Key Management Personnel				
B Gore	-	-	-	-
N Hinchcliff	47,785	-	5,509	53,294
L McGill	7,895	-	1,652	9,547
P Lynch	50,000	-	(50,000)	-
D Scafetta	84,000	-	-	84,000
S Kenney	-	-	64,296	64,296
D Mulder	15,833	-	-	15,833
P MacLeod	-	-	-	-

Additional Information (unaudited)

Details of Remuneration: Cash Bonuses and Options

For all cash bonuses, the percentage that was forfeited was nil. Cash bonuses are paid during the following financial year to which they were earned. No granted options have reached vesting date or been forfeited.

Loans to Directors and Other Key Management Personnel

There were no loans made to any directors or any of the key management personnel of the consolidated entity, or their personally-related entities during the financial year.

Refer to note 30 to the Financial Statements for details on 'Other transactions with Key Management Personnel'.

15 INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of Directors' and Officers' liability that indemnifies officers of the Company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as such. The Directors have not included more specific details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and Officers' liability, as such disclosure is prohibited under the terms of the contract.

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

16 NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

	CONSOLIDATED	
	2006	2005
	\$	\$
Assurance Services		
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	200,450	92,975
Non-PricewaterhouseCoopers audit firms	58,729	28,500
Total remuneration for audit services	259,179	121,475
Other assurance services		
Non-PricewaterhouseCoopers audit firms	33,715	3,000
Total remuneration for other assurance services	33,715	3,000
Total remuneration for assurance services	292,894	124,475
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	137,763	46,904
Non-PricewaterhouseCoopers tax firms	54,877	7,585
Total remuneration for other taxation services	192,640	54,489

17 AUDITOR

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

18 AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 47.

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



Warwick Hemsley
Managing Director

Perth, Western Australia
28 September 2006

Auditor's Independence Declaration

PricewaterhouseCoopers
ABN 52 780 433 757

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250 St Georges Terrace
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PERTH WA 6840
DX 77 Perth
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As lead auditor for the audit of Peet Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



John O'Connor
Partner
PricewaterhouseCoopers

Perth
28 September 2006

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financial 2006 report

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INCOME STATEMENTS

PEET LIMITED AND ITS
CONTROLLED ENTITIES
FOR THE YEAR ENDED
30 JUNE 2006

	Notes	CONSOLIDATED		PARENT ENTITY	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue	5	113,626	72,274	62,271	45,397
Other income	7a	-	-	2,003	1,432
Change in inventories		58,015	31,147	616	6,716
Purchases & other inventory costs		(95,697)	(45,331)	(5,422)	(6,716)
Employee benefits expense		(10,392)	(6,945)	(10,200)	(6,838)
Depreciation	6	(290)	(166)	(194)	(112)
Finance costs	6	(1,093)	(1,281)	(403)	(56)
Project management, selling and other operating costs		(6,737)	(3,773)	(4,021)	(2,433)
Office costs		(1,317)	(883)	(1,317)	(883)
Other expenses		(3,743)	(1,863)	(1,186)	(572)
Share of net profit/(loss) of associates accounted for using the equity method	35(b)	74	(21)	-	-
Profit before income tax		52,446	43,158	42,147	35,935
Income tax expense	7	(15,612)	(13,555)	(9,658)	(10,957)
Profit for the year		36,834	29,603	32,489	24,978
Earnings per share for profit attributable to the equity holders of the Company:					
Basic earnings per share (cents)	37	18.4	14.8		
Diluted earnings per share (cents)	37	18.3	14.8		

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

BALANCE SHEETS

PEET LIMITED AND ITS
CONTROLLED ENTITIES
AS AT 30 JUNE 2006

	Notes	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash and cash equivalents	8	18,532	17,436	9,316	10,397
Receivables	9	39,320	27,709	19,047	21,388
Inventories	10	18,069	36,017	2,492	2,779
Total Current Assets		75,921	81,162	30,855	34,564
Non-Current Assets					
Receivables	11	-	178	5,471	12,166
Inventories	12	160,276	84,313	7,142	6,239
Investments accounted for using the equity method	13	2,504	2,237	-	-
Available for sale financial assets	14	706	-	706	-
Other financial assets	15	-	-	2,610	2,417
Property, plant and equipment	16	1,601	1,173	1,398	958
Total Non-Current Assets		165,087	87,901	17,327	21,780
Total Assets		241,008	169,063	48,182	56,344
Current Liabilities					
Payables	18	33,716	15,413	3,991	4,040
Borrowings	19	23,830	4,300	-	-
Current tax liabilities		3,212	6,728	3,212	6,728
Provisions	20	3,591	1,552	599	199
Total Current Liabilities		64,349	27,993	7,802	10,967
Non-Current Liabilities					
Payables	21	11,286	3,018	2	2
Borrowings	19	111,050	88,640	-	4,800
Deferred tax liabilities	22	7,643	5,998	5,005	4,123
Provisions	23	30	-	30	-
Total Non-Current Liabilities		130,009	97,656	5,037	8,925
Total Liabilities		194,358	125,649	12,839	19,892
Net Assets		46,650	43,414	35,343	36,452
Equity					
Contributed equity	24	1,479	1,479	1,479	1,479
Reserves	25	749	343	749	343
Retained profits	25	44,422	41,592	33,115	34,630
Total Equity		46,650	43,414	35,343	36,452

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

STATEMENTS
OF CHANGES IN EQUITY

PEET LIMITED AND ITS
CONTROLLED ENTITIES
FOR THE YEAR ENDED
30 JUNE 2006

	Notes	CONSOLIDATED		PARENT ENTITY	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year		43,414	23,473	36,452	21,136
Profit for the year		36,834	29,603	32,489	24,978
Transactions with equity holders in their capacity as equity holders:					
Employee share options	25	406	339	406	339
Dividends provided for or paid	26	(34,004)	(10,001)	(34,004)	(10,001)
Total equity at the end of the financial year		46,650	43,414	35,343	36,452

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

CASH FLOW STATEMENTS

PEET LIMITED AND ITS
CONTROLLED ENTITIES
FOR THE YEAR ENDED
30 JUNE 2006

	Notes	CONSOLIDATED		PARENT ENTITY	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		118,505	74,043	62,066	43,377
Payments to suppliers and employees (inclusive of GST)		(99,234)	(64,042)	(17,574)	(16,242)
Dividends received		87	56	7,587	56
Interest received		1,087	689	631	331
Trust distributions received		-	105	-	105
Interest and other finance costs paid		(8,204)	(5,879)	(819)	(460)
Income tax paid		(17,472)	(10,216)	(17,472)	(6,708)
Net cash (outflow) inflow from operating activities	34(c)	(5,231)	(5,244)	34,419	20,459
Cash flows from investing activities					
Payments for property, plant and equipment		(720)	(533)	(638)	(502)
Proceeds from sale of investments in associates		2	-	2	-
Proceeds from sale of available for sale financial assets		1,913	-	1,913	-
Payments for investments in associates		(195)	(93)	(195)	(93)
Payments for investments in available for sale financial assets		(2,618)	-	(2,618)	-
Proceeds from capital returns		9	129	9	129
Net cash (outflow) from investing activities		(1,609)	(497)	(1,527)	(466)
Cash flows from financing activities					
Dividends paid		(34,004)	(10,001)	(34,004)	(10,001)
Loans to related entities		(3,754)	(3,150)	(32,839)	(11,566)
Loan repayments from related entities		3,754	5,708	37,670	7,961
Repayments of borrowings		(64,890)	(27,220)	(4,800)	-
Proceeds from borrowings		106,830	51,820	-	-
Net cash inflow (outflow) from financing activities		7,936	17,157	(33,973)	(13,606)
Net increase (decrease) in cash and cash equivalents					
		1,096	11,416	(1,081)	6,387
Cash and cash equivalents at the beginning of the financial year		17,436	6,020	10,397	4,010
Cash and cash equivalents at the end of the financial year	34(a)	18,532	17,436	9,316	10,397
Financing arrangements	34(b)				

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 years presented, unless otherwise stated. The financial report includes separate financial statements for Peet Limited as an individual entity and the consolidated entity consisting of Peet Limited and its subsidiaries.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Peet Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Presentation and Disclosure.

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

These financial statements are the first Peet Limited 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 the Group 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 the 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The consolidated entity 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 39.

Early Adoption of Standards

The Group has elected to apply AASB 119 Employee Benefits (issued in December 2004) to the annual reporting period beginning 1 July 2005. This includes applying AASB 119 to comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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.

Critical Accounting Estimates

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Peet Limited ("company" or "parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Peet Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Peet Limited.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the case of land syndications, significant influence can exist with a lower shareholding. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint Ventures

Jointly Controlled Operations

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) 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.

Tax Consolidation Legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 7.

Any difference between the amount assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(e) Acquisition of Assets

The purchase method of accounting is used 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 up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to their acquisition.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Acquisition of Assets (continued)

When settlement of all or any part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration must be determined by discounting the amounts payable in the future to their present value as at the date of acquisition. The discount rate to be used in discounting the amounts payable in the future to their present value is the incremental borrowing rate applicable to the Company had finance for the acquisition been obtained from an independent financier under comparable terms and conditions to those in the purchase contract.

(f) 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Property, Plant and Equipment

Property, plant and equipment are shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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:

- 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.

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

(h) Revenue Recognition

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

Sale of Land

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

Project Management and Selling Fees

Project management and selling fees are recognised on the signing of a contract as this is the point at which revenue has been earned.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue Recognition (continued)

Managers' Performance Fees

Managers' Performance Fee Revenue is recognised at the end of each reporting period and is based on a profitability measurement in accordance with the relevant management agreement.

Other Trading Activities

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

Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend Income

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

(i) 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.

(j) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Other receivables are recognised on an accrual basis as the services to which they relate are performed.

Collectibility of 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.

(k) Inventories

Land held for development and resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

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

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

(l) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Investments and Other Financial Assets (continued)

Under previous AGAAP, interests in unlisted securities, other than subsidiaries and associates, were brought to account at cost and dividend income was recognised in the income statement when receivable. Transaction costs were excluded from the carrying amounts.

Adjustments on transition date 1 July 2005

The nature of the main adjustment to make this information comply with AASB 132 and AASB 139, with the exception of loans and receivables which are measured at amortised cost, related to classification. There were no changes in fair value in respect of available for sale financial assets, and as such no amount taken to an equity reserve.

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, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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 noncurrent assets. Loans and receivables are included in receivables in the balance sheet.

(ii) Available-for-Sale Financial Assets

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

Regular purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income within other income or other expenses in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

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 the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and Other Financial Assets (continued)

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(m) 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.

(n) 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. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straightline basis over the term of the facility.

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.

(o) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(p) Dividends

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

(q) Employee Entitlements

(i) Wages and Salaries, Annual Leave and Sick Leave

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

(ii) 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.

(iii) Share Based Payments

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee Entitlements (continued)

(iii) Share Based Payments (continued)

The fair value of options granted under the 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 impact of dilution, 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 is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance 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 and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(iv) Profit Sharing and Bonus Plans

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

(v) Termination Benefits

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

(vi) Retirement Benefit Obligations

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

(r) 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.

(s) 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 for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Fair Value Estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(u) Provisions

Provisions for legal and other claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time, value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Earnings Per Share

Basic Earnings Per Share

Basic earnings per share is determined by dividing the profit attributable to equity holders 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.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Goods and Services Tax (GST) (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Rounding of Amounts

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

(y) Financial instrument transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 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. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the Group was immaterial.

(z) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group has assessed that there is not expected to be any impact on the Group in respect to these new standards and interpretations.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out by the accounting and finance department under policies approved by the Board of Directors and the Audit and Risk Committee. The department identifies, evaluates and mitigates financial risks in close co operation with the Group's operating units. The Board and Audit and Risk Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and credit risks, use of derivative financial instruments (if any) and investing excess liquidity.

(a) Credit Risk

The Group has no significant concentrations of credit risk.

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(c) Cash Flow and Fair Value Interest Rate Risk

As the Group has some significant interest bearing assets (namely cash and cash equivalents), the Group's income and operating cash flows are exposed to changes in market interest rates.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Cash Flow and Fair Value Interest Rate Risk (continued)

The Group's other interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by active management of fixed and variable combinations. The Group does not use derivative instruments in this process.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are not considered to be any estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 SEGMENT INFORMATION

Business Segments

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

Funds Management /Land Syndication

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

Land Development

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

Joint Venture Operations

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

Geographical Segments

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

4 SEGMENT INFORMATION (CONTINUED)

Primary Reporting - Business Segments

	FUNDS MANAGEMENT/ LAND SYNDICATION		LAND DEVELOPMENT		JOINT VENTURE PROJECTS		INTER-SEGMENT ELIMINATIONS AND UNALLOCATED		CONSOLIDATED	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Primary Reporting Business Segments	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
Sales to external customers	30,150	24,808	80,290	45,075	1,275	1,111	-	-	111,715	70,994
Inter-segment transactions	9,198	7,094	-	-	-	-	(9,198)	(7,094)	-	-
Total sales revenue	39,348	31,902	80,290	45,075	1,275	1,111	(9,198)	(7,094)	111,715	70,994
Share of net profit/(loss) of associates	-	-	-	-	-	-	74	(21)	74	(21)
Other revenue	138	160	881	606	-	-	892	514	1,911	1,280
Total segment revenue	39,486	32,062	81,171	45,681	1,275	1,111	(8,232)	(6,601)	113,700	72,253
Result										
EBITDA	28,847	25,724	21,535	18,367	918	886	2,529	(372)	53,829	44,605
Depreciation	(115)	(64)	(169)	(99)	(6)	(3)	-	-	(290)	(166)
EBIT	28,732	25,660	21,366	18,268	912	883	2,529	(372)	53,539	44,439
Financing costs									(1,093)	(1,281)
Profit before income tax expense									52,446	43,158
Income tax expense									(15,612)	(13,555)
Profit for the year									36,834	29,603
Total assets	36,750	45,747	190,846	127,996	20,018	10,434	(6,606)	(15,114)	241,008	169,063
Segment liabilities	4,622	4,392	48,286	29,907	2,499	1,711	(6,783)	(16,028)	48,624	19,982
Unallocated liabilities	-	-	-	-	-	-	145,734	105,667	145,734	105,667
Total liabilities	4,622	4,392	48,286	29,907	2,499	1,711	138,951	89,639	194,358	125,649
Investment in associates	2,504	2,237	-	-	-	-	-	-	2,504	2,237
Acquisitions of property, plant and equipment	637	349	83	184	-	-	-	-	720	533
Depreciation expense	(115)	(64)	(169)	(99)	(6)	(3)	-	-	(290)	(166)
Other non-cash expenses	(1)	(1)	-	-	-	-	-	-	(1)	(1)

EBITDA: Earnings before interest tax depreciation and amortisation

EBIT: Earnings before interest and tax

NOTES TO
FINANCIAL STATEMENTS

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2006

5 REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue from sale of land	80,290	45,075	13,607	12,016
Project management and selling fees	18,986	16,359	24,160	19,942
Managers' performance fees	7,745	6,867	11,737	10,269
Revenue from other trading activities	4,694	2,693	4,432	2,676
	111,715	70,994	53,936	44,903
Other revenue				
- Dividends	87	56	7,587	56
- Trust distributions	-	10	-	10
- Interest	1,087	642	631	332
- Other	737	572	117	96
	1,911	1,280	8,335	494
	113,626	72,274	62,271	45,397

6 EXPENSES

Profit before income tax includes the following specific expenses:

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Depreciation	290	166	194	112
Finance costs:				
- Interest & finance charges	8,204	5,879	819	407
- Amount capitalised	(7,111)	(4,598)	(416)	(351)
Finance costs expensed	1,093	1,281	403	56
Rental expense - relating to operating leases:				
Minimum lease payments	461	287	461	287
Write off of development expenditure	197	17	197	17

NOTES TO
FINANCIAL STATEMENTS

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2006

7 INCOMETAX

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Income tax expense				
Current tax	14,208	11,099	9,029	10,572
Deferred tax	1,644	1,952	883	385
(Over)/under provided in prior years	(240)	504	(254)	-
	15,612	13,555	9,658	10,957
Deferred income tax expense included in income tax expense comprises:				
Increase/(decrease) in deferred tax assets	(977)	2,219	(214)	1,684
Increase/(decrease) in deferred tax liabilities	2,621	(267)	1,097	(1,299)
	1,644	1,952	883	385
Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	52,446	43,158	42,147	35,935
Tax at Australian tax rate of 30% (2005: 30%)	15,734	12,948	12,644	10,780
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Entertainment	23	12	23	10
Employee benefits	122	102	122	102
Sundry	11	13	375	89
Franking Rebate	(38)	(24)	(3,252)	(24)
(Over)/under provision in prior years	(240)	504	(254)	-
Income tax expense	15,612	13,555	9,658	10,957

7 INCOMETAX (CONTINUED)

Tax Consolidation Legislation

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

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

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

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

(a) Other Income related to Tax Consolidation Legislation

The Company has recognised a tax consolidation distribution from wholly owned tax consolidated entities of \$2,003,000 (2005: \$1,432,000). The distribution arose as the result of a transfer of tax losses to the head entity for no compensation and is classified as other income.

8 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and on hand	18,532	17,436	9,316	10,397

Cash at bank is interest bearing at variable bank rates.

9 CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade debtors	12	44	12	43
Accrued income	33,923	18,793	17,139	14,078
Tax related amounts receivable from wholly owned entities	-	-	-	652
Prepayments	1,316	797	285	326
Other debtors	4,069	8,075	1,611	6,289
	39,320	27,709	19,047	21,388

9 CURRENT ASSETS - RECEIVABLES (CONTINUED)

Accrued Income

These amounts represent project management fees, marketing & selling fees, bookkeeping fees, and manager's performance fees.

Other Debtors

These amounts generally arise from transactions other than fee earning activities of the consolidated entity. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

10 CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Land held for resale:				
Cost of acquisition	6,247	11,916	244	740
Capitalised development costs	10,892	22,173	2,248	2,039
Capitalised finance costs	930	1,928	-	-
	18,069	36,017	2,492	2,779

Refer to note 12 for valuation details.

11 NON-CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Owing by controlled entities	-	-	5,471	11,988
Owing by other related parties	-	178	-	178
	-	178	5,471	12,166

Further information on the above is set out in note 31 - Related Parties.

(a) Fair Values

The fair values and carrying values of non current receivables of the Group are as follows:

	2006		2005	
	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000
Owing by related parties	-	-	178	178

The fair values and carrying values of non-current receivables of the Company are as follows:

	2006		2005	
	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000
Owing by controlled Entities	-	-	5,471	11,988

11 NON-CURRENT ASSETS - RECEIVABLES (CONTINUED)

(b) Interest Rate Risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

		Non-interest bearing \$'000	Total \$'000
Trade receivables	2006	12	12
	2005	44	44
Accrued income receivable	2006	33,923	33,923
	2005	18,793	18,793
Related parties	2006	-	-
	2005	178	178
Other receivables	2006	4,069	4,069
	2005	8,075	8,075
	2006	38,004	38,004
	2005	27,090	27,090
Weighted average interest rate	2006	-	-
	2005	-	-

(c) Credit Risk

There is no concentration of credit risk with respect to current and non-current receivables outside of the Group. Refer to Note 2 for more information on the risk management policy of the Group.

12 NON-CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Land held for resale:				
Cost of acquisition	134,636	71,485	4,264	4,264
Capitalised development costs	12,390	5,319	1,733	1,065
Capitalised finance costs	13,250	7,509	1,145	910
	160,276	84,313	7,142	6,239

The valuations of land owned by the consolidated entity are as follows:

LAND PARCEL	BOOK VALUE \$	VALUATION ^{1,2,3} \$	VALUATION DATE
(i) "Innisfail" Estate (completed lots and residual englobo land), Dunnings Road, Point Cook, Victoria	9,362,255	53,672,000	18 April 2006
(ii) Proposed "Greenvale Lakes" Estate, Somerton Road, Greenvale, Victoria	24,029,872	46,000,000	1 May 2006
(iii) "Greenvale Rise" Estate, 1170 Mickleham Road, Greenvale, Victoria	9,633,219	39,425,159	1 May 2006
(iv) Proposed "Brigadoon" Estate, Brigadoon, Western Australia	6,229,182	13,100,000	30 April 2006
(v) Proposed "Castlereagh" Estate, 295-305 Sneydes Road, Point Cook, Victoria	10,182,009	13,500,000	6 June 2006
(vi) Proposed "Craigieburn Central" Estate, 575 Craigieburn Road, Craigieburn, Victoria	18,207,912	33,800,000	19 April 2006
(vii) Proposed "The Parks at Innisfail" Estate, Lots 3 and 4, Dunnings Road, Point Cook, Victoria	6,814,293	12,200,000	18 April 2006
(viii) "Ashton Heights" Estate, Lot 2706 Pinjar Road, Tapping, Western Australia	14,921,572	32,000,000	30 April 2006
(ix) Proposed "Grand 56" Residential Development, 56 Grand Boulevard, Joondalup, Western Australia	945,247	1,180,000	30 April 2006
(x) Proposed "The Chase" Estate, Baldivis Road, Baldivis, Western Australia	10,673,944	11,318,000	30 April 2006
(xi) Proposed "The Ridge" Estate, Smirk Road, Baldivis, Western Australia	2,167,157	3,136,000	30 April 2006
(xii) Proposed "Hammersmith" Residential Development, 16 Hammersmith Court, Joondalup, Western Australia	482,496	720,000	30 April 2006
(xiii) Proposed "Valley Road" Estate, Valley Road, Skye, Victoria	3,265,088	3,300,000	24 April 2006
(xiv) Proposed "Palmer's Road" Industrial Estate, Palmer's Road, Truganina, Victoria	5,452,500	7,100,000	18 April 2006
(xv) "Picketts Valley" Estate, Picketts Valley Road, Picketts Valley, New South Wales	5,925,889	6,400,000	10 April 2006
(xvi) Other land at lower of cost and net realisable value	50,052,614	50,052,614	
	178,345,249	326,903,773	

Notes:

1 Direct comparison approach has been utilised as the primary method of valuation, with a hypothetical development analysis utilised as a check method.

2 Valuations are exclusive of GST.

3 Valuations prepared by Independent Valuer.

13 NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Peet Caboolture Syndicate Ltd	1,350	1,420	-	-
Other	1,154	817	-	-
Investments in associates (note 35)	2,504	2,237	-	-

14 NON-CURRENT ASSETS - AVAILABLE FOR SALE FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Peet Income Property Fund	706	-	706	-

Movements in available for sale financial assets are set out below:

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
At beginning of year	-	-	-	-
Adjustment on adoption of AASB 132 and AASB 139	1	-	1	-
Additions	2,618	-	2,618	-
Disposals	(1,913)	-	(1,913)	-
At end of year	706	-	706	-

15 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Investments in associates (note 35)	-	-	2,610	2,417

16 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Fixtures and fittings - at cost	2,441	1,726	2,074	1,443
Less: accumulated depreciation	(840)	(553)	(676)	(485)
	1,601	1,173	1,398	958

Reconciliations

Reconciliations of the carrying amounts of fixtures and fittings at the beginning and end of the current financial year are set out below:

	CONSOLIDATED			PARENT ENTITY		
	2006 \$'000	2005 \$'000	2004 \$'000	2006 \$'000	2005 \$'000	2004 \$'000
Carrying amount at 1 July	1,173	654	414	958	570	364
Additions	720	916	326	638	731	281
Disposals	(2)	(231)	(6)	(4)	(231)	(6)
Depreciation	(290)	(166)	(80)	(194)	(112)	(69)
Carrying amount at 30 June	1,601	1,173	654	1,398	958	570

17 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in the profit or loss				
Accrued expenses and provisions	647	473	169	220
Rebates provision	893	399	-	-
Staff provisions	157	118	157	118
Inventory	362	66	253	-
Other	58	84	57	84
	2,117	1,140	636	422
Set off deferred tax liabilities pursuant to set off provisions (note 22)	(2,117)	(1,140)	(636)	(422)
	-	-	-	-
Movements:				
Opening balance at 1 July	1,140	3,359	422	2,106
Credited/ (charged) to the income statement	977	(2,219)	214	(1,684)
Closing balance at 30 June	2,117	1,140	636	422

Refer to Note 22 for details of set-off of deferred tax assets with deferred tax liabilities.

18 CURRENT LIABILITIES - PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables	27,899	12,164	96	394
Other payables	5,817	3,249	3,895	3,646
	33,716	15,413	3,991	4,040

19 BORROWINGS

(a) Secured Liabilities

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current - Secured				
Bank Bills	23,830	4,300	-	-
Non-current - Secured				
Bank Bills	111,050	88,640	-	4,800

Subsequent to year end the expiry date of Facility No. 3 has been extended to expire 31 July 2007.

Borrowings are secured by a variety of registered mortgage debentures over the consolidated entity's assets and undertakings and first registered mortgages over the land assets of the consolidated entity.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Notes \$'000	CONSOLIDATED		PARENT ENTITY	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current					
First Mortgage					
Inventories	10	18,069	36,017	2,492	2,779
Floating Charge					
Cash and cash equivalents	8	18,532	17,436	9,316	10,397
Receivables	9	39,320	27,709	19,047	21,388
		57,852	45,145	28,363	31,785
Total current assets pledged as security		75,921	81,162	30,855	34,564
Non-Current					
First Mortgage					
Inventories	12	160,276	84,313	7,142	6,239
Floating Charge					
Receivables	11	-	178	5,471	12,166
Available for sale financial assets	14	706	-	706	-
Other financial assets	15	-	-	2,610	2,417
Property, plant and equipment	16	1,601	1,173	1,398	958
		2,307	1,351	10,185	15,541
Total non-current assets pledged as security		162,583	85,664	17,327	21,780
Total assets pledged as security		238,504	166,826	48,182	56,344

19 BORROWINGS (CONTINUED)

(a) Secured Liabilities (continued)

The terms of the consolidated entity's borrowing facilities are as follows:

Terms of facilities

ANY GROUP MEMBER

Facility No 1:	Revolving Multi-Option Facility
Limit:	\$77,016,000 expiry date 31 January 2008.
Facility No 2:	Revolving Multi-Option Facility
Limit:	\$40,000,000 expiry date 31 October 2008.
Facility No 3:	Standby Bills Acceptance/Discount Facility
Limit:	\$35,000,000 expiry date 31 October 2006.
Facility No 4:	Business Mastercard
Limit:	\$75,000 expiry date 31 October 2006.

PEET INNISFAIL SYNDICATE LIMITED

Facility No 5:	Multi Option Facility
Limit:	\$1,000,000 expiry date 31 October 2006.
Facility No 6:	Bank Guarantee
Limit:	\$5,000,000 in favour of Peet Limited until 31 October 2006.

PEET SOUTHERN JV LIMITED

Facility No 7:	Multi-Option Facility
Limit:	\$16,000,000 expiry date 30 June 2008.
Facility No 8:	Bank Guarantee Facility
Limit:	\$2,500,000 until 30 June 2008.

PEET LIMITED

Facility No 9:	Tape Negotiation Authority
Limit:	\$2,000,000 expiry date 31 October 2006.

Refer to note 34(b) for details of availability and usage of the above facilities.

(b) Interest rate risk exposure

		AS AT 30 JUNE 2006	
		Floating interest rate \$'000	Total \$'000
Bank Bills current secured	2006	23,830	23,830
	2005	4,300	4,300
Bank Bills non-current secured	2006	111,050	111,050
	2005	88,640	88,640
	2006	134,880	134,880
	2005	92,940	92,940
Weighted average interest rate	2006	6.59%	
	2005	6.85%	

20 CURRENT LIABILITIES - PROVISIONS

(c) Fair value

There is no discrepancy between the carrying value and the fair value of interest bearing liabilities as at the balance date.

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Rebates	3,591	1,552	599	199

Movements in Provisions

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

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Carrying amount at 1 July	1,552	1,110	199	1,363
Additional provisions recognised in the year	2,536	835	418	99
Paid during the year	(497)	(393)	(18)	(1,263)
Carrying amount at 30 June	3,591	1,552	599	199

Rebates

Once the consolidated entity sells lots, purchasers may become entitled to a rebate for fencing and landscaping. In general, the Company expects that rebates will be claimed within 12 to 18 months of the purchased lots settling.

21 NON-CURRENT LIABILITIES - PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables	11,286	3,018	-	-
Owing to controlled entities	-	-	2	2
	11,286	3,018	2	2

The parent entity has guaranteed the payment of the balance of the trade payables. Trade payables in respect of development property purchase amounts due are \$34,278,000 (2005: \$12,878,000), of which \$11,286,000 (2005: \$3,018,000) is non-current. Further information on amounts owing to controlled entities is set out in note 31 - Related Parties.

22 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in the profit or loss				
Borrowing and interest costs	4,217	2,788	343	278
Accrued income	5,410	4,310	5,240	4,226
Depreciation	41	40	58	41
Prepayments	92	-	-	-
	9,760	7,138	5,641	4,545
Set-off of deferred tax assets of parent entity pursuant to set-off provisions (note 17)	(2,117)	(1,140)	(636)	(422)
Net deferred tax liabilities	7,643	5,998	5,005	4,123
Movements (pre set off):				
Opening balance at 1 July	7,138	7,406	4,545	5,844
Credited/ (charged) to the income statement	2,622	(267)	1,096	(1,299)
Closing balance at 30 June	9,760	7,139	5,641	4,545
Deferred tax liabilities to be settled after more than 12 months	92	-	-	-
Deferred tax liabilities to be settled within 12 months	9,668	7,139	5,641	4,545
	9,760	7,139	5,641	4,545

23 NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Employee entitlements - long service leave	30	-	30	-

24 CONTRIBUTED EQUITY

Share Capital

	PARENT ENTITY		PARENT ENTITY	
	2006 Shares	2005 Shares	2006 \$'000	2005 \$'000
Paid up capital				
Ordinary shares - fully paid	200,023,324	200,023,324	1,479	1,479

Movements in ordinary share capital

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	\$'000
1 July 2005	Opening Balance	200,023,324	-	1,479
30 June 2006	Balance	200,023,324	-	1,479

Ordinary Shares

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

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

25 RESERVES AND RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Reserves				
Share-based payments reserve	749	343	749	343

Movements

Share based payments reserve				
Balance 1 July	343	4	343	4
Option expense	406	339	406	339
Balance 30 June	749	343	749	343

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Retained profits at the beginning of the financial year	41,592	21,990	34,630	19,653
Profit for the year	36,834	29,603	32,489	24,978
Dividends provided for or paid	(34,004)	(10,001)	(34,004)	(10,001)
Retained profits at the end of the financial year	44,422	41,592	33,115	34,630

Share based payment reserve

The share based payment reserve is used to recognise the fair value of options granted but not exercised.

26 DIVIDENDS

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED/ UNFRANKED
2006				
Interim 2006 ordinary	7.5	15,002	19 April 2006	Franked
Further final 2005 ordinary	2.5	5,001	16 December 2005	Franked
Final 2005 ordinary	7.0	14,001	20 October 2005	Franked
Total amount	17.0	34,004		
2005				
Interim 2005 ordinary	5.0	10,001	20 April 2005	Franked
Total amount	5.0	10,001		

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

After the balance sheet date the following dividends were proposed by the directors:

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED/ UNFRANKED
Final 2006 ordinary	9.5	19,002	17 October 2006	Franked

The financial effect of the dividend declared subsequent to reporting date has not been brought to account in the financial statements for the year ended 30 June 2006 and will be recognised in subsequent financial reports. The declaration and subsequent payment of this dividend has no income tax consequences.

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.

Dividend franking account

	PARENT ENTITY	
	2006 \$'000	2005 \$'000
30% franking credits available to shareholders of Peet Limited for subsequent financial years	13,391	13,133

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) franking credits that will arise from payment of the current tax liability; and
- (b) franking debits that will arise from payment of dividends recognised as a liability at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of the dividend proposed subsequent to year end but not recognised as a liability is to reduce it by \$8,143,807 (2005: \$6,000,700). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has assumed all franking credits from all entities within the tax-consolidated group.

27 REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Audit Services				
Fees paid to PricewaterhouseCoopers (PwC)				
Audit and review of financial reports and other work under the Corporations Act 2001	200,450	92,975	200,450	85,000
Fees paid to non-PwC firms	58,729	28,500	-	-
Total remuneration for audit services	259,179	122,475	200,450	85,000
Other Assurance Services				
Fees paid to non-PwC firms	33,715	3,000	33,715	3,000
Total remuneration for other assurance services	33,715	3,000	33,715	3,000
Taxation Services				
Fees paid to PricewaterhouseCoopers				
Tax compliance services, including review of company income tax returns	137,763	46,904	129,274	34,798
Fees paid to non-PwC firms	54,877	7,585	-	-
Total remuneration for taxation services	192,640	54,489	129,274	34,798

28 CONTINGENCIES

Contingent liabilities

The consolidated entity and parent entity had contingent liabilities at 30 June 2006 in respect of guarantees and underwriting obligations for land syndication of \$5,547,000 (2005: \$44,605,920). In addition, the parent entity had contingent liabilities at 30 June 2006 in respect of guarantees of \$36,543,600 (2005: \$13,530,500).

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.

Contingent assets

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

29 COMMITMENTS

The Company's commitments relate to the lease of its premises at Level 7, 200 St George's Terrace, Perth, Level 1, 436 St Kilda Road, Melbourne and Level 2, 167 Eagle Street, Brisbane.

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Future operating lease rentals not provided for in the financial statements and payable:				
- Not later than one year	315	264	315	264
- Later than one year but not later than five years	770	343	770	343
	1,085	607	1,085	607

The operating leases are cancellable.

30 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of the Company during the financial year and up until the date of this report:

- AW Lennon (Chairman and Non-Executive Director)
- WD Hemsley (Managing Director)
- SF Higgs (Non-Executive Director)
- GW Sinclair (Non-Executive Director)
- AJ Lennon (Executive Director)

(b) Other Key Management Personnel

The following persons were other key management personnel of the Company and Group during the financial year and up until the date of this report with the greatest authority for strategic direction and management:

- B Gore (Chief Financial Officer)
- N Hinchcliff (Operations Manager, WA)
- L McGill (General Manager, Residential and Commercial Built Form)
- P Lynch (State Business Development Manager, WA)
- D Scafetta (Company Secretary)
- S Kenney (General Manager, Retirement Housing)
- D Mulder (Operations Manager, Vic)
- P MacLeod (State Business Development Manager, Qld)

All of the above persons were also key management personnel during the year ended 30 June 2005, except for P MacLeod who commenced employment with the Company on 1 August 2005.

(c) Key Management Personnel Compensation

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
Short-term employee benefits	2,775,530	2,115,799	2,775,530	2,115,799
Post employment benefits	305,771	196,056	305,771	196,056
Share-based payments	112,514	82,714	112,514	82,714
	3,193,815	2,394,569	3,193,815	2,394,569

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors report. The relevant information can be found in section 14 of the Directors' Report.

30 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity Instrument Disclosures Relating to Key Management Personnel

Option Holdings

The number of options over ordinary shares in the Company held during the financial year by each director of the Company and each of the other eight key management personnel of the consolidated entity, including their personally related entities, are set out below:

		FOR THE YEAR ENDED 30 JUNE 2006			
		Balance at the start of the year	Granted during the year as remuneration	Balance at the end of the year	Vested and exercisable at the end of the year
Directors					
AW Lennon	2006	-	-	-	-
	2005	-	-	-	-
WD Hemsley	2006	600,000	-	600,000	-
	2005	600,000	-	600,000	-
SF Higgs	2006	-	-	-	-
	2005	-	-	-	-
GW Sinclair	2006	-	-	-	-
	2005	-	-	-	-
AJ Lennon	2006	600,000	-	600,000	-
	2005	600,000	-	600,000	-
Other Key Management Personnel					
B Gore	2006	-	170,000	170,000	-
	2005	-	-	-	-
N Hinchcliff	2006	100,000	-	100,000	-
	2005	-	100,000	100,000	-
L McGill	2006	100,000	30,000	130,000	-
	2005	-	100,000	100,000	-
P Lynch	2006	120,000	-	120,000	-
	2005	-	120,000	120,000	-
D Scafetta	2006	200,000	-	200,000	-
	2005	-	200,000	200,000	-
S Kenney	2006	-	70,000	70,000	-
	2005	-	-	-	-
D Mulder	2006	100,000	30,000	130,000	-
	2005	-	100,000	100,000	-
P MacLeod	2006	-	-	-	-
	2005	-	-	-	-

During the financial year, no options were exercised by directors or other key management personnel.

30 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity Instrument Disclosures Relating to Key Management Personnel (continued)

Share Holdings

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

		FOR THE YEAR ENDED 30 JUNE 2006			
		Balance at the Start of the Year	Received During the Year on the Exercise of Options	Other Changes During the Year	Balance at the End of the Year
Directors					
AW Lennon	2006	70,010,448	-	-	70,010,448
	2005	120,582,154	-	(50,571,706)	70,010,448
WD Hemsley	2006	20,022,000	-	-	20,022,000
	2005	33,969,097	-	(13,947,097)	20,022,000
S Higgs	2006	800,000	-	-	800,000
	2005	-	-	800,000	800,000
G Sinclair	2006	50,000	-	-	50,000
	2005	-	-	50,000	50,000
AJ Lennon	2006	201,095	-	1,113	202,208
	2005	-	-	201,095	201,095
Other Key Management Personnel					
B Gore	2006	-	-	-	-
	2005	-	-	-	-
N Hinchcliff	2006	47,785	-	5,509	53,294
	2005	-	-	47,785	47,785
L McGill	2006	7,895	-	1,652	9,547
	2005	-	-	7,895	7,895
P Lynch	2006	50,000	-	(50,000)	-
	2005	-	-	50,000	50,000
D Scafetta	2006	84,000	-	-	84,000
	2005	-	-	84,000	84,000
S Kenney	2006	-	-	64,296	64,296
	2005	-	-	-	-
D Mulder	2006	15,833	-	-	15,833
	2005	-	-	15,833	15,833
P MacLeod	2006	-	-	-	-
	2005	-	-	-	-

30 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(e) Other Transactions with Key Management Personnel

During the year the following amounts were paid or due to be paid:

- Sub Agents Fees of \$Nil (2005: \$3,338) to Scorpio Nominees Pty Ltd, a related entity of A W Lennon and A J Lennon.

31 RELATED PARTIES

(a) Parent Entity

The wholly owned group as at 30 June 2006 consists of the Company (incorporated in Australia), being the ultimate parent entity, and its wholly owned controlled entities as detailed in note 36.

(b) Transactions with Related Parties

Transactions between the Company and other entities in the wholly owned group during the years ended 30 June 2006 and 2005 consisted of loans advanced and project management, marketing & selling fees charged by the Company. There are no interest charges or fixed terms for the repayment of loans advanced by the Company.

During the year ended 30 June 2006, the Company derived the following fees from subsidiaries:

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Project management, marketing and selling fees	-	-	5,174,038	3,583,014
Manager's performance fees	-	-	3,991,800	3,401,846
Bookkeeping and secretarial fees	-	-	32,413	31,099
Other consultancy fees	-	-	2,627	2,521
	-	-	9,200,878	7,017,980

During the year ended 30 June 2006, the parent entity's profit before income tax included distributions from subsidiaries:

	PARENT ENTITY	
	2006	2005
	\$	\$
Dividend revenue	7,500,000	-

Transactions with other related entities are on normal commercial terms and conditions no more favourable than those available to other parties.

The Company also derived compensation of \$8,525,226 (2005: \$2,438,077) in respect of its tax sharing and funding agreement with subsidiaries.

The company has recognised a tax consolidation distribution from wholly owned tax consolidated entities of \$2,002,750 (2005: \$1,431,558). The distribution arose as a result of a transfer of tax losses to the head entity for no compensation and is classified as other income.

31 RELATED PARTIES (CONTINUED)

(b) Transactions with Related Parties (continued)

During the year ended 30 June 2006, the Company derived the following fees from associates:

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Project management, marketing and selling fees	18,986,004	16,359,406	18,986,004	16,359,406
Manager's performance fees	7,744,720	6,867,241	7,744,720	6,867,241
Capital raising, co-ordination, underwriting & asset identification fees	2,879,887	1,447,325	2,879,887	1,447,325
Bookkeeping and secretarial fees	539,309	468,780	539,309	468,780
Other consultancy fees	42,818	86,273	42,818	86,273
	30,192,738	25,229,025	30,192,738	25,229,025

(c) Outstanding Balances

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

	PARENT ENTITY	
	2006	2005
	\$	\$
Payable to Subsidiaries		
Non-current	2,002	2,002
Receivable from Subsidiaries		
Current	-	651,962
Non-current	5,471,422	11,987,968

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

Amounts receivable from and (payable) to entities in the wholly-owned group are disclosed in notes 9, 11, and 21 to the financial statements.

Amounts receivable from and (payable) to associates in respect of the consolidated entity amount to \$16,088,105 (2005: \$25,014,925).

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

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Current	-	178,026	-	178,026

32 TRUSTS

The Company is trustee and/or responsible entity for the following trusts:

	Right of Indemnity \$'000	2006 Total Liabilities \$'000	Deficiency \$'000	Right of Indemnity \$'000	2005 Total Liabilities \$'000	Deficiency \$'000
Australind Unit Trust	-	-	-	196	196	-
Burns Beach Property Trust	28,851	28,851	-	12,606	12,606	-
Hawkstone Unit Trust	1,822	1,854	32	224	252	28
Jandakot Unit Trust	-	-	-	5,939	5,939	-
Yanchep Ocean Front Unit Trust	41	41	-	1,344	1,344	-
Yatala Unit Trust	4,021	4,021	-	23,373	23,373	-
Peet Income Property Fund	13,954	13,954	-	20,499	20,499	-
	48,689	48,721	32	64,181	64,209	28

Australind Unit Trust was wound up during the financial year. Jandakot Unit Trust commenced its winding up procedures during the financial year.

33 EVENTS SUBSEQUENT TO REPORTING DATE

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

34 NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and on hand	18,532	17,436	9,316	10,397

(b) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total facilities				
Bank loan facilities	163,250	139,323	148,601	127,362
Credit cards	75	75	75	75
Bank guarantees/ Letters of credit	15,266	10,693	5,415	1,654
Used at balance date				
Bank loan facilities	134,880	92,940	-	4,800
Credit cards	-	-	-	-
Bank guarantees/ Letters of credit	15,266	10,693	207	24
Unused at balance date				
Bank loan facilities	28,370	46,383	148,601	122,562
Credit cards	75	75	75	75
Bank guarantees/ Letters of credit	-	-	5,208	1,630

Note:

Bank loan facilities, bank overdraft and bank guarantees of the parent entity cannot together exceed \$154,091,000 (2005: \$129,091,000) at any one time. The bank loan facilities, bank overdrafts and bank guarantees of the consolidated entity as at 30 June 2006 could not together exceed \$178,591,000 (2005: \$150,091,000) at any one time. These are multi option facilities. Refer to note 19 Borrowings for details about terms and securities on the above facilities.

34 NOTES TO CASH FLOW STATEMENTS (CONTINUED)

(c) Reconciliation of Profit After Income Tax to Net Cash (Outflow)/Inflow from Operating Activities

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Profit for the year	36,834	29,603	30,232	24,978
Add/(deduct) non cash items:				
- Depreciation	290	166	194	112
- Loss on sale of non-current Assets	1	1	1	1
- Employee Share based payments	406	339	406	339
- Equity accounting for investments in associates	(74)	21	-	-
Change in operating assets and liabilities during the financial year:				
- (Increase)/decrease in receivables	(11,294)	(8,004)	3,494	(3,284)
- (Increase) in inventory	(49,987)	(33,631)	(616)	(6,604)
- (Decrease)/increase in income taxes payable	(3,580)	(2,379)	(555)	641
- Increase/(decrease) in trade creditors	18,322	4,507	(51)	(387)
- Increase in provisions	2,144	1,435	432	1,240
- Increase in deferred taxes payable	1,707	2,698	882	3,423
Net cash (outflow)/inflow from operating activities	(5,231)	(5,244)	34,419	20,459

35 INVESTMENTS IN ASSOCIATES

Name of Associate	OWNERSHIP INTEREST		CONSOLIDATED		PARENT ENTITY	
	2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Peet & Co Point Cook Land Syndicate Ltd	0.21	0.21	15	14	14	14
Peet & Co Casey Land Syndicate Ltd	0.54	0.54	27	24	16	24
Peet Adios Syndicate Ltd	0.60	0.60	12	9	9	9
Peet Cardinia Lakes Syndicate Ltd	0.21	0.21	41	42	42	42
Peet Bayonet Head Syndicate Ltd	0.56	0.56	3	6	6	6
Peet Baldivis Syndicate Ltd	0.39	0.39	22	10	10	10
Peet Forrestdale Syndicate Ltd	0.70	0.70	17	23	23	23
Peet Mandurah Syndicate Ltd	1.25	1.25	152	100	100	100
Peet Oakford Land Syndicate Ltd	0.37	0.37	7	7	7	7
Peet Warner Lakes Syndicate Ltd	1.56	1.56	358	337	337	337
Peet Windsor Park Syndicate Ltd	0.07	0.07	13	10	10	10
Peet Cranbourne Syndicate Ltd	1.58	-	108	-	124	-
Peet Byford Syndicate Ltd	0.39	-	33	-	33	-
Peet Tarneit Gardens Syndicate Ltd	1.29	1.29	197	127	127	127
Peet Tarneit Rise Syndicate Ltd	0.33	0.33	52	18	55	18
Peet Caboolture Syndicate Ltd	20.00	20.00	1,350	1,420	1,600	1,600
Other			97	90	97	90
			2,504	2,237	2,610	2,417

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

(a) Movements in Carrying Amounts

	CONSOLIDATED	
	2006 \$'000	2005 \$'000
Carrying amount at the beginning of the financial year	2,237	2,167
Acquisitions	195	93
Disposals	(2)	-
Share of profit/(loss) after income tax	74	(21)
Prior year adjustment	-	(2)
Carrying amount at the end of the financial year	2,504	2,237

(b) Share of Associates Profit (Loss)

	CONSOLIDATED	
	2006 \$'000	2005 \$'000
Share of Associates Profit/(Loss)	74	(21)

35 INVESTMENTS IN ASSOCIATES (CONTINUED)

(c) Summarised Financial Information of Associates

2006 Name of Associate	GROUP'S SHARE OF:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(Loss) \$'000
Peet & Co Point Cook Land Syndicate Ltd	16	1	16	3
Peet & Co Casey Land Syndicate Ltd	35	9	54	10
Peet Adios Syndicate Ltd	15	3	23	3
Peet Cardinia Lakes Syndicate Ltd	58	18	14	(1)
Peet Bayonet Head Syndicate Ltd	4	1	-	(3)
Peet Baldivis Syndicate Ltd	40	17	76	12
Peet Forrestdale Syndicate Ltd	21	4	-	(6)
Peet Mandurah Syndicate Ltd	260	108	315	52
Peet Oakford Land Syndicate Ltd	7	-	-	-
Peet Warner Lakes Syndicate Ltd	548	190	223	21
Peet Windsor Park Syndicate Ltd	18	5	14	3
Peet Cranbourne Syndicate Ltd	399	290	1	(16)
Peet Tarneit Gardens Syndicate Ltd	289	92	214	70
Peet Tarneit Rise Syndicate Ltd	69	17	-	(3)
Peet Byford Syndicate Ltd	33	-	-	-
Peet Caboolture Syndicate Ltd	5,387	4,037	2	(71)
Other	9	-	-	-
	7,208	4,792	952	74

36 SUBSIDIARIES

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

	PLACE OF INCORPORATION	CLASS OF SHARE	HOLDING	
			2006 %	2005 %
At Cost				
Indemnity & Liability Administrators Pty Ltd	WA	Ord & Pref.	100	100
Hawkestone Conveyancing Pty Ltd	WA	Ordinary	100	100
Hawkestone Unit Trust ¹	N/A	Trust Unit	100	100
Peet Management Limited	WA	Ordinary	100	100
Peet Innisfail Syndicate Limited	WA	Ordinary	100	100
Peet Rockbank Limited	WA	Ordinary	100	100
Peet Point Cook No 2 Land Syndicate Limited	WA	Ordinary	100	100
Peet Craigieburn Limited	WA	Ordinary	100	100
Peet Greenvale No 2 Limited	WA	Ordinary	100	100
Peet Southern JV Limited	WA	Ordinary	100	100
Peet No 63 Syndicate Limited	WA	Ordinary	100	100
Peet Sneydes Road Limited	WA	Ordinary	100	100
Peet Brigadoon Limited	WA	Ordinary	100	100
Peet No 68 Syndicate Limited	WA	Ordinary	100	100

NOTES TO
FINANCIAL STATEMENTS

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2006

36 SUBSIDIARIES (CONTINUED)

	PLACE OF INCORPORATION	CLASS OF SHARE	HOLDING	
			2006 %	2005 %
Peet Ashton Heights Limited	WA	Ordinary	100	100
Peet No 70 Syndicate Limited	WA	Ordinary	100	100
Peet No 72 Avoca Limited	WA	Ordinary	100	100
Peet Queens Park JV Limited	WA	Ordinary	100	100
Peet No 73 Syndicate Limited	WA	Ordinary	100	100
Peet Cardinia Gardens Syndicate Limited	WA	Ordinary	100	100
Peet Baldivis Heights Syndicate Limited	WA	Ordinary	100	100
Peet No 76 Syndicate Limited	WA	Ordinary	100	100
Peet No 77 Syndicate Limited	WA	Ordinary	100	100
Secure Living Limited	WA	Ordinary	100	100
Peet No 80 Limited	WA	Ordinary	100	100
Peet No 81 Limited	WA	Ordinary	100	100
Peet No 82 Limited	WA	Ordinary	100	100
Peet No 85 Limited ²	WA	Ordinary	100	100
Peet No 87 Limited ³	WA	Ordinary	100	100
Peet No 88 Limited ³	WA	Ordinary	100	100
Peet No 89 Limited ⁴	WA	Ordinary	100	100
Peet No 90 Limited ⁴	WA	Ordinary	100	100
Peet No 91 Limited ⁴	WA	Ordinary	100	100
Peet No 92 Limited ⁵	WA	Ordinary	100	100
Peet No 93 Limited ⁵	WA	Ordinary	100	100
Peet No 94 Limited ⁵	WA	Ordinary	100	100
Peet No 95 Limited ⁶	WA	Ordinary	100	100
Peet No 96 Limited ⁶	WA	Ordinary	100	100
Peet No 97 Limited ⁶	WA	Ordinary	100	100
Peet No 98 Limited ⁷	WA	Ordinary	100	100
Peet No 99 Limited ⁷	WA	Ordinary	100	100
Peet No 100 Limited ⁷	WA	Ordinary	100	100
Peet No 101 Limited ⁷	WA	Ordinary	100	100
Peet No 102 Limited ⁷	WA	Ordinary	100	100
Peet No 103 Limited ⁷	WA	Ordinary	100	100
Peet No 104 Limited ⁸	WA	Ordinary	100	100
Peet No 105 Limited ⁸	WA	Ordinary	100	100
Peet No 106 Limited ⁸	WA	Ordinary	100	100
Peet No 107 Limited ⁸	WA	Ordinary	100	100
Peet No 108 Limited ⁸	WA	Ordinary	100	100
Peet No 109 Limited ⁸	WA	Ordinary	100	100

Notes:

- 1 The net tangible assets of Hawkstone Unit Trust at acquisition date were nil. The Trust was acquired on 9 September 1994 for nil consideration.
- 2 Entity registered on 5 July 2005
- 3 Entities registered on 25 October 2005
- 4 Entities registered on 29 November 2005
- 5 Entities registered on 10 January 2006
- 6 Entities registered on 20 January 2006
- 7 Entities registered on 9 February 2006
- 8 Entities registered on 10 April 2006

37 EARNINGS PER SHARE

(a) Earnings Per Share

	CONSOLIDATED	
	2006 \$'000	2005 \$'000
Basic earnings per share (cents)	18.4	14.8
Fully diluted earnings per share (cents)	18.3	14.8

(b) Reconciliation of Earnings used in Calculating Earnings Per Share

	CONSOLIDATED	
	2006 \$'000	2005 \$'000
Basic and Diluted Earnings Per Share		
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	36,834	29,603

(c) Weighted Average Number of Shares used in the Denominator

	CONSOLIDATED	
	2006 \$'000	2005 \$'000
Weighted average number of ordinary shares used as a denominator in the calculation of earnings per share	200,023,324	200,023,324
Adjustments for calculation of diluted earnings per share:		
Options	1,595,522	549,654
Weighted average number of ordinary shares used as a denominator in the calculation of fully diluted earnings per share	201,618,846	200,572,978

38 SHARE-BASED PAYMENTS

(a) Employee Share Option Plan (ESOP)

The establishment of the Peet Limited ESOP was approved by the Board during the 2004 financial year. Employees of any Peet Group company (including Executive Directors) will be eligible to participate in the ESOP at the discretion of the Board.

Invitations to apply for options

Eligible employees, at the discretion of the Board, may be invited to apply for options on terms and conditions to be determined by the Board including as to:

- the method of calculation of the exercise price of each option;
- the number of options being offered and the maximum number of shares over which each option is granted;
- the period or periods during which any of the options may be exercised;
- the dates and times when the options lapse;
- the date and time by which the application for options must be received by Peet; and
- any applicable conditions which must be satisfied or circumstances which must exist before the options may be exercised.

Invitations to apply for options

Eligible employees may apply for part of the options offered to them, but only in specified multiples.

Consideration

Unless the Board determines otherwise, no payment will be required for a grant of options under the ESOP.

Exercise conditions

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option must be satisfied. However, the Board has the discretion to enable an option holder to exercise options where the exercise conditions have not been met, including, for example, where a court orders a meeting to be held in relation to a proposed compromise or arrangement in respect of the Company, or a resolution is passed or an order is made for winding up the Company.

Options granted under the plan carry no dividend or voting rights.

Lapse of options

Unexercised options will lapse upon the earlier to occur of a variety of events specified in the rules of the ESOP, including, on the date or in circumstances specified by the Board in the invitation, failure to meet the options' exercise conditions in the prescribed period or on the five year anniversary of the date of grant of the options.

38 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Share Option Plan (ESOP) (continued)

Set out below are summaries of options granted under the plan:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AT END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
			No.	No.	No.	No.	No.	No.
Consolidated and parent entity - 2006								
18 Jun 04	18 Jun 09	\$1.20	1,200,000	-	-	-	1,200,000	-
28 Jul 04	28 Jul 09	\$1.20	1,847,000	-	-	-	1,847,000	-
17 Aug 05	17 Aug 10	\$1.71	-	20,000	-	-	20,000	-
22 Aug 05	22 Aug 10	\$1.75	-	10,000	-	-	10,000	-
1 Sep 05	1 Sep 10	\$2.04	-	400,000	-	-	400,000	-
8 Feb 06	8 Feb 11	\$2.81	-	100,000	-	-	100,000	-
2 May 06	2 May 11	\$3.09	-	20,000	-	-	20,000	-
24 May 06	24 May 11	\$3.42	-	50,000	-	-	50,000	-
Total			3,047,000	600,000	-	-	3,647,000	-
Weighted average exercise price								
			\$1.20	\$2.30	-	-	\$1.38	-
Consolidated and parent entity - 2005								
18 Jun 04	18 Jun 09	\$1.20	1,200,000	-	-	-	1,200,000	-
28 Jul 04	28 Jul 09	\$1.20	-	1,917,000	-	(70,000)	1,847,000	-
Total			1,200,000	1,917,000	-	(70,000)	3,047,000	-
Weighted average exercise price								
			\$1.20	\$1.20	-	\$1.20	\$1.20	-

No options were forfeited during the financial year (2005: 70,000). The weighted average remaining contractual life of share options outstanding at the end of the period was 3.25 years (2005: 4.04 years).

38 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Share Option Plan (ESOP) (continued)

Fair value of options granted

The fair value of options 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 and the risk free interest rate for the term of the option.

The model inputs for options granted under the plan and assessed fair value were:

GRANT DATE	EXERCISE PRICE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXPECTED PRICE VOLATILITY OF SHARES	RISK FREE INTEREST RATE	ASSESSED FAIR VALUE
18 Jun 04	\$1.20	18 Jun 09	\$1.20	30%	5.44%	\$0.14
28 Jul 04	\$1.20	28 Jul 09	\$1.20	30%	5.44%	\$0.14
17 Aug 05	\$1.71	17 Aug 10	\$1.71	30%	5.44%	\$0.21
22 Aug 05	\$1.75	22 Aug 10	\$1.75	30%	5.44%	\$0.22
1 Sep 05	\$2.04	1 Sep 10	\$2.04	30%	5.44%	\$0.31
8 Feb 06	\$2.81	8 Feb 11	\$2.81	30%	5.44%	\$0.35
2 May 06	\$3.09	2 May 11	\$3.09	30%	5.44%	\$0.38
24 May 06	\$3.42	24 May 11	\$3.42	30%	5.44%	\$0.42

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(b) Expenses Arising from Share-Based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Options issued under ESOP	406	339	406	339

(c) Deferred Employee Share Plan (DESP)

All permanent full-time and permanent part-time employees and directors of Peet Limited or any Group entity may participate in the DESP.

Participating employees must nominate an amount they wish to contribute from their pre-tax salary. In addition, participants may nominate a percentage of any future bonus payments to be contributed towards the DESP.

The DESP allows participants to defer their tax liability, where certain conditions are met under current Australian tax rules.

39 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs

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	CONSOLIDATED			PARENT ENTITY		
		Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000
Current Assets							
Cash and cash equivalents		6,265	-	6,265	4,010	-	4,010
Receivables		20,297	(1,278)	19,019	24,234	(4,847)	19,387
Inventories		23,937	(12,558)	11,379	-	-	-
Other assets	39e(vii)	544	(544)	-	436	(436)	-
Total Current Assets	39e(i)	51,043	(14,380)	36,663	28,680	(5,283)	23,397
Non-Current Assets							
Receivables	39e(iii)	-	-	-	5,556	322	5,878
Inventories		75,379	-	75,379	6,406	-	6,406
Investments	39e(vi)	850	(850)	-	853	(853)	-
Investments accounted for using the equity method	39e(vi)	1,443	850	2,293	1,600	(1,600)	-
Other financial assets		-	-	-	-	2,453	2,453
Property, plant and equipment		655	-	655	570	-	570
Total Non-Current Assets		78,327	-	78,327	14,984	322	15,306
Total Assets		129,370	(14,380)	114,990	43,663	(4,961)	38,703
Current Liabilities							
Payables		8,909	(2,108)	6,801	1,932	190	2,122
Borrowings		245	-	245	-	-	-
Current tax liabilities		6,088	-	6,088	6,088	-	6,088
Provisions	39e(viii)	1,653	(190)	1,463	1,754	(190)	1,563
Total Current Liabilities	39e(i)	16,895	(2,298)	14,597	9,773	-	9,773
Non-Current Liabilities							
Payables		5,341	-	5,341	2	-	2
Borrowings		68,280	-	68,280	4,800	-	4,800
Deferred tax liabilities	39e(iii)	6,925	(3,625)	3,300	6,925	(3,933)	2,992
Total Non-Current Liabilities		80,546	(3,625)	76,921	11,727	(3,933)	7,794
Total Liabilities		97,441	(5,923)	91,518	21,500	(3,933)	17,567
Net Assets		31,929	(8,457)	23,472	22,163	(1,027)	21,136
Equity							
Contributed equity		1,479	-	1,479	1,479	-	1,479
Retained profits	39e(iv)	30,450	(8,461)	21,989	20,684	(1,031)	19,653
Share based payment reserve	39e(v)	-	4	4	-	4	4
Total Equity		31,929	(8,457)	23,472	22,163	(1,027)	21,136

39 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(b) At the End of the Last Reporting Period under previous AGAAP: 30 June 2005

	Notes	CONSOLIDATED			PARENT ENTITY		
		Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000
Current Assets							
Cash and cash equivalents		17,436	-	17,436	10,397	-	10,397
Receivables	39e(i), 39e(vii)	28,842	(1,133)	27,709	25,675	(4,287)	21,388
Inventories	39e(i)	50,702	(14,685)	36,017	6,883	(4,104)	2,779
Other assets	39e(vii)	797	(797)	-	326	(326)	-
Total Current Assets	39e(i)	97,777	(16,615)	81,162	43,281	(8,717)	34,564
Non-Current Assets							
Receivables	39e(iii)	178	-	178	11,537	629	12,166
Inventories		84,313	-	84,313	6,239	-	6,239
Investments	39e(vi)	817	(817)	-	817	(817)	-
Investments accounted for using the equity method	39e(vi)	1,420	817	2,237	1,600	(1,600)	-
Other financial assets		-	-	-	-	2,417	2,417
Property, plant and equipment		1,173	-	1,173	958	-	958
Total Non-Current Assets		87,901	-	87,901	21,151	629	21,780
Total Assets		185,678	(16,615)	169,063	64,432	(8,088)	56,344
Current Liabilities							
Payables	39e(i), 39e(viii)	16,981	(1,757)	15,224	3,951	(100)	3,851
Borrowings		4,300	-	4,300	-	-	-
Current tax liabilities		6,728	-	6,728	6,728	-	6,728
Provisions	39e(viii)	2,099	(358)	1,741	593	(205)	388
Total Current Liabilities	39e(i)	30,108	(2,115)	27,993	11,272	(305)	10,967
Non-Current Liabilities							
Payables		3,018	-	3,018	2	-	2
Borrowings		88,640	-	88,640	4,800	-	4,800
Deferred tax liabilities	39e(iii)	10,348	(4,350)	5,998	10,348	(6,225)	4,123
Total Non-Current Liabilities		102,006	(4,350)	97,656	15,150	(6,225)	8,925
Total Liabilities		132,114	(6,465)	125,649	26,422	(6,530)	19,892
Net Assets		53,564	(10,150)	43,414	38,010	(1,558)	36,452
Equity							
Contributed equity		1,479	-	1,479	1,479	-	1,479
Retained profits	39e(iv)	52,085	(10,493)	41,592	36,531	(1,901)	34,630
Share based payment reserve	39e(v)	-	343	343	-	343	343
Total Equity		53,564	(10,150)	43,414	38,010	(1,558)	36,452

39 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(c) Reconciliation of Profit for the Year Ended 30 June 2005

	Notes	CONSOLIDATED			PARENT ENTITY		
		Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000
Revenues	39e(i)	76,914	(4,640)	72,274	51,282	(5,885)	45,397
Other income	39e(iii)(a)	-	-	-	-	1,432	1,432
Changes in inventories		31,147	-	31,147	6,716	-	6,716
Purchases and other inventory costs	39e(i)	(47,843)	2,512	(45,331)	(9,167)	2,451	(6,716)
Employee benefits expense	39e(ii)	(6,606)	(339)	(6,945)	(6,499)	(339)	(6,838)
Depreciation and amortisation expense		(166)	-	(166)	(112)	-	(112)
Finance costs		(1,281)	-	(1,281)	(56)	-	(56)
Project management, selling and other operating costs	39e(i)	(3,483)	(290)	(3,773)	(2,738)	305	(2,433)
Office costs		(883)	-	(883)	(883)	-	(883)
Other expenses		(1,863)	-	(1,863)	(572)	-	(572)
Share of net loss of associates accounted for using the equity method		(21)	-	(21)	-	-	-
Profit before income tax		45,915	(2,757)	43,158	37,971	(2,036)	35,935
Income tax expense	39e(iii)	(14,280)	725	(13,555)	(12,124)	1,167	(10,957)
Profit for the year		31,635	(2,032)	29,603	25,847	(869)	24,978

(d) Reconciliation of Cash Flow statement for the year ended 30 June 2005

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

39 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(e) Notes to the Reconciliations

(i) 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.

As at 1 July 2004 the following adjustments have been made against retained earnings. For the year ended 30 June 2005 the following adjustments have been made to the income statement to reflect this change in policy:

	CONSOLIDATED		
	To 1 July 2004 \$'000	Income Statement Year Ended 30 June 2005 \$'000	Cumulative/Balance Sheet Year Ended 30 June 2005 \$'000
Revenue	(19,524)	(4,640)	(24,164)
Purchases and other inventory costs	6,967	2,512	9,479
Performance fee	(1,823)	(107)	(1,930)
Movement in current assets	(14,380)	(2,235)	(16,615)
Other costs	2,298	(183)	2,115
Movement in current liabilities	2,298	(183)	2,115
Reduction in deferred tax liabilities	3,625	725	4,350
Net movement	(8,457)	(1,693)	(10,150)

	PARENT ENTITY		
	To 1 July 2004 \$'000	Income Statement Year Ended 30 June 2005 \$'000	Cumulative/Balance Sheet Year Ended 30 June 2005 \$'000
Revenue	(5,283)	(5,885)	(11,168)
Purchases and other inventory costs	-	2,451	2,451
Movement in current assets	(5,283)	(3,434)	(8,717)
Other costs	-	305	305
Movement in current liabilities	-	305	305
Reduction in deferred tax liabilities	1,585	939	2,524
Net movement	(3,698)	(2,190)	(5,888)

39 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(e) Notes to the Reconciliations (continued)

(ii) 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 employees as part of the ESOP. Under AGAAP, no such expense was required.

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

	CONSOLIDATED		PARENT ENTITY	
	As at 1 July 2004 \$'000	Year Ended 30 June 2005 \$'000	As at 1 July 2004 \$'000	Year Ended 30 June 2005 \$'000
Employee share option expense	4	339	4	339

(iii) Tax Adjustments

(a) Tax Consolidation Adjustments

Peet Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. Under previous AGAAP, the parent entity recognised current and deferred tax amounts relating to transactions, events and balances of the tax consolidated entities as if those transactions, events and balances were its own.

Under AIFRS, the parent entity only recognises the current tax payable and deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entities in the tax consolidated group.

The Company has recognised a tax consolidation distribution from wholly owned tax consolidated entities of \$2,003,000 (2005: \$1,432,000). The distribution arose as the result of a transfer of tax losses to the head entity for no compensation and is classified as other income.

Consequently, the following adjustments are required to the Parent Entity:

	PARENT ENTITY		
	As at 1 July 2004 \$'000	30 June 2005 \$'000	Year Ended/As at 30 June 2005 \$'000
Deferred tax liabilities	2,348	1,353	3,701
Tax related receivable	322	307	629
Net assets	2,670	1,660	4,330
Distribution from subsidiaries	(1,193)	(1,432)	(2,625)
Income tax expense	(1,477)	(228)	(1,705)
Net Income	(2,670)	(1,660)	(4,330)
Applied against retained earnings	2,670	-	2,670
Applied against income statement	-	1,660	1,660

39 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(e) Notes to the Reconciliations (continued)

(iii) Tax Adjustments (continued)

(b) Deferred Tax Liabilities

	CONSOLIDATED		PARENT ENTITY	
	As at 1 July 2004 \$'000	As at 30 June 2005 \$'000	As at 1 July 2004 \$'000	As at 30 June 2005 \$'000
UIG 53 tax effect adjustments (note 39e(i))	3,625	4,350	1,585	2,524
Tax consolidation adjustments (note 39e(iii)(a))	-	-	2,348	3,701
	3,625	4,350	3,933	6,225

(c) Income Tax Expense

	CONSOLIDATED	PARENT ENTITY
	Income Statement Year Ended 30 June 2005 \$'000	Income Statement Year Ended 30 June 2005 \$'000
UIG 53 tax effect adjustments (note 39e(ii))	725	939
Tax consolidation adjustments (note 39e(iii)(a))	-	228
	725	1,167

(iv) Retained Earnings

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

		CONSOLIDATED		PARENT ENTITY	
		As at 1 July 2004 \$'000	As at 30 June 2005 \$'000	As at 1 July 2004 \$'000	As at 30 June 2005 \$'000
UIG 53 adjustments	39e(i)	12,082	14,500	5,283	8,412
Deferred tax liability adjustments	39e(iii)	(3,625)	(4,350)	(1,585)	(2,524)
Sharebased payments	39e(ii)	4	343	4	343
Tax consolidation adjustments	39e(iii)(a)	-	-	(2,670)	(4,330)
Total		8,461	10,493	1,031	1,901

39 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(e) Notes to the Reconciliations (continued)

(v) Reserves

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

		CONSOLIDATED		PARENT ENTITY	
		As at	Year Ended	As at	Year Ended
		1 July 2004	30 June 2005	1 July 2004	30 June 2005
		\$'000	\$'000	\$'000	\$'000
Share-based payments	39e(ii)	4	343	4	343

(vi) 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

For the consolidated group, a decrease in investments of \$850,000 and an increase in investments in associates of \$850,000.

For the parent entity, a decrease in investments of \$853,000 and an increase in investments in associates of \$853,000.

At 30 June 2005

For the consolidated group, a decrease in investments of \$817,000 and an increase in investments in associates of \$817,000.

For the parent entity, 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 as at 1 July 2004 and for the year ended 30 June 2005.

(vii) Prepayments

Under previous AGAAP, payments were classified as other assets. The effect of this is:

At 1 July 2004

For the Group, receivables have an increase and other assets have decrease by \$545,000. For the parent entity, receivables have increased and other assets have decreased by \$436,000.

At 30 June 2005

For the Group, receivables have an increase and other assets have decrease by \$797,000. For the parent entity, receivables have increased and other assets have decreased by \$327,000.

For the year ended 30 June 2005

There is no effect on the Group or parent entity.

39 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(e) Notes to the Reconciliations (continued)

(viii) Provisions for Employees Entitlements

At 1 July 2004

For the Group, other payables have increased and provisions have decreased by \$190,000. For the parent entity, other payables have increased and provisions have decreased by \$ 190,000.

At 30 June 2005

For the Group, other payables have increased and provisions have decreased by \$205,000. For the parent entity, other payables have increased and provisions have decreased by \$205,000.

For the year ended 30 June 2005

There is no effect on the Group or parent entity.

(ix) 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 applied AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

The impact resulted in a reclassification in the parent entity and consolidated group whereby investments decreased by \$1,000, and available for sale assets increased by \$1,000.

DIRECTORS' DECLARATION

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2006

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 50 to 105 and remuneration disclosures that are contained on pages 35 to 44 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 35 to 44 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Warwick Hemsley
Managing Director
Perth, Western Australia
28 September 2006

Independent audit report to the members of Peet Limited

Audit opinion

In our opinion:

- the financial report of Peet Limited:
 - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Peet Limited and the Peet Group (defined below) as at 30 June 2006, and of their performance for the year ended on that date, and
 - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.
- the remuneration disclosures that are contained on pages 35 to 44 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit 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 both Peet Limited (the company) and the Peet Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required AASB 124, under the heading "remuneration report" on pages 35 to 44 in the directors' report, as permitted by the *Corporations Regulations 2001*.

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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of any audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and their cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

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

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

Independence

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



PricewaterhouseCoopers



John O'Connor
Partner

Perth
28 September 2006

SHAREHOLDER INFORMATION

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2006

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding

	NUMBER OF SHAREHOLDERS	% OF ISSUED SHARE CAPITAL
1 - 1,000	250	0.09
1,001 - 5,000	1,734	3.00
5,001 - 10,000	875	3.53
10,001 - 100,000	813	10.01
100,001 and over	58	83.37
	3,730	100.00

There were 5 holders of less than a marketable parcel of ordinary shares.

EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
Scorpio Nominees Pty Ltd	70,000,000	35.00
Mr IMC Palmer & Mrs HC Palmer	23,689,552	11.84
Mr WD Hemsley	20,022,000	10.01
MF Custodians Ltd	19,156,444	9.58
Australian Foundation Investment Company Limited	7,196,354	3.60
UBS Wealth Management Aust Nominees Pty Ltd	3,515,695	1.76
Mirrabooka Investments Ltd	1,525,000	1.76
Amcil Ltd	1,500,000	0.75
Mr LJ Peet	1,450,000	0.72
Citicorp Nominees Pty Ltd - CFS Future Leaders Fund	1,119,470	0.56
JP Morgan Nominees Aust Ltd	1,100,767	0.55
Citicorp Nominees Pty Ltd - CFSIL CWLTH Property	1,064,614	0.53
Djerriwarrh Investments Limited	1,020,000	0.51
Citicorp Nominees Pty Ltd	1,000,245	0.50
ANZ Nominees Ltd	944,178	0.47
Cogent Nominees Pty Ltd	906,430	0.45
Argo Investments Ltd	886,000	0.44
Mr S F Higgs	800,000	0.40
National Nominees Limited	755,280	0.38
Jove Pty Ltd	750,000	0.37
	158,402,029	79.18

SUBSTANTIAL SHAREHOLDERS

NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
Scorpio Nominees Pty Ltd	70,000,000	35.00
Mr IMC Palmer & Mrs HC Palmer	23,689,552	11.84
Mr WD Hemsley	20,022,000	10.01
MF Custodians Ltd	16,666,667	8.33
	130,378,219	65.18

VOTING RIGHTS

The voting rights attaching to each class of equity securities are as set out below:

Ordinary Shares

On a show of hands every member present at the meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Stock Exchange Listing

Peet Limited shares are listed on the Australian Stock Exchange Limited. ASX code PPC.

Website Address

www.peet.com.au

The Company website offers the following features:

Investor relations page with the latest company announcements

News service providing up to date information on the Company's activities and projects

Access to annual and half year reports

Registry

Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace

Perth WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

www.computershare.com

CORPORATE DIRECTORY

PEET LIMITED

A.B.N 56 008 665 834

Website Address - www.peet.com.au

Directors

Tony Lennon, Chairman and Non-Executive Director

Stephen Higgs B.Ec (Syd), Non-Executive Director

Graeme Sinclair B.Comm, CA, ACIS, FAICD, Non-Executive Director

Warwick Hemsley B.Comm, CPA, Assoc. Dip. Val. FVLE (VAL&ECON), Managing Director

Anthony Lennon BA, Grad. Dip. Bus. Admin, National Business Development Director

Company Secretary

Dom Scafetta, B.Comm, CA

Key Executives

Brendan Gore - Chief Financial Officer

Nelson Hinchcliff - Operations Manager, WA

Laurie McGill - General Manager, Residential and Commercial Built Form

Peter Lynch - State Business Development Manager, WA

Stephen Kenney - General Manager, Retirement Housing

Dan Mulder - Operations Manager, Vic

Peter MacLeod - State Business Development Manager, Qld

Registered Office and Principal Place of Business

7th Floor, 200 St George's Terrace

Perth, Western Australia 6000

Tel. (08) 9420 1111

Share Register

Computershare Investor Services Pty Limited

Level 2, 45 St George's Terrace

Perth, Western Australia 6000

Auditor

PricewaterhouseCoopers

QV1, 250 St George's Terrace

Perth, Western Australia 6000

Bankers

National Australia Bank

Level 13, 50 St George's Terrace

Perth, Western Australia 6000

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PEET

Peet Limited
ACN 008 665 834
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www.peet.com.au