

building for growth



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

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Contents

Company Information	3
Chairman's Review	9
Managing Director and Chief Executive Officer's Review	11
Operational Review	14
Corporate Calendar	24
Corporate Governance Statement	25
Board of Directors	32
Directors' Report	36
Financial Report	57
Directors' Declaration	118
Independent Audit Report to the Members	119
Shareholder Information	121
Corporate Directory	123



Strength

Peet Limited is a leading, national property group – an asset manager, land syndicator and fund manager – that has been trading continuously for 113 years.

Our strength is underpinned by a strategic approach to land acquisition, building on the third largest residential land bank of any ASX listed property group, a flexible and responsive approach that addresses the needs of each of our key markets across Australia and a commitment to excellence in everything we do.

During the 2008 financial year, the strength of Peet Limited's business model and the expertise of its management team again combined to deliver sound results to investors and position the Company for growth in the medium to long term.

Growth

Peet Limited's demonstrated capability to successfully manage through varying property cycles and economic conditions is directed towards achieving the very best results for our shareholders, investors and purchasers.

Creating quality communities that demonstrate best practice in planning, design and sustainability, and delivering high-return investment opportunities, remain our core focuses.

Our traditional values of integrity, diligence and commitment, and our fundamental quest for innovation and excellence, are at the core of all our business activities – whether its syndicated, Company owned or joint venture residential land development, built-form for singles, young couples or over-55s, commercial property development, or our funds management business.

Commitment

Peet Limited is immensely proud of its tradition and the rigorous governance and reporting regimes that give our shareholders and investors great confidence. We are also very proud of our modern, innovative approach to a dynamic 21st century property market. That combination creates a sound platform for future growth.

In the year ahead, Peet Limited will continue to use its wealth of experience and specialist expertise to meet the ongoing challenges of the property market and pursue our vision of growth and prosperity for the business and for all our shareholders, investors and stakeholders.

Prosperity

Peet Limited is a national asset manager, land syndicator and fund manager committed to growth and prosperity for our shareholders, investors and the residents of our quality, master-planned communities. The business operates in divisions within a structure that nurtures and promotes the obvious links between them:

Funds and syndicates

Peet Limited was the architect of the retail land syndication model in Australia and remains the leading syndicator of high-quality, residential land developments throughout the country, consistently delivering high returns to investors.

The Peet Income Property Fund (PIPF) focuses on industrial, retail and commercial property, providing investors with income producing opportunities.

Estates

Peet manages and markets Company-owned, syndicated and joint venture developments across Australia.

These are quality, master-planned estates that demonstrate best practice in planning and urban design, as well as a strong commitment to excellence in environmental management and sustainability.

Built form

Peet's Senior Living division develops and markets resort-style communities for over 55s, often within or neighbouring existing Peet estates, while Peet Living develops low-rise apartments, townhouse and villa complexes.

Peet Commercial's focus is on the development of shopping centres, medical centres and other community facilities for residents of Peet estates and surrounding areas.



Performance

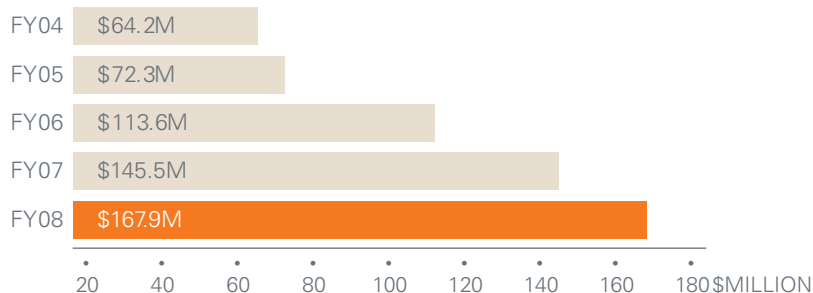
Peet Limited has delivered to shareholders another year of business and earnings growth in very challenging market conditions.

The Company's after-tax profit increased to \$47.9 million – up 5.3%. Earnings per share increased to 21.6 cents and dividends for the year totalled 19.75 cents per share fully franked – or 28.2 cents per share before tax allowing for 100% franking.

At year end, Peet's land bank, held under ownership, management or joint venture, comprised approximately 37,000 lots with an estimated on-completion value of \$7.4 billion, if sold at today's prices. Almost 16,500 of these lots were syndicated, giving thousands of investors access to the property market with the confidence of Peet's professional management and consistently strong returns.

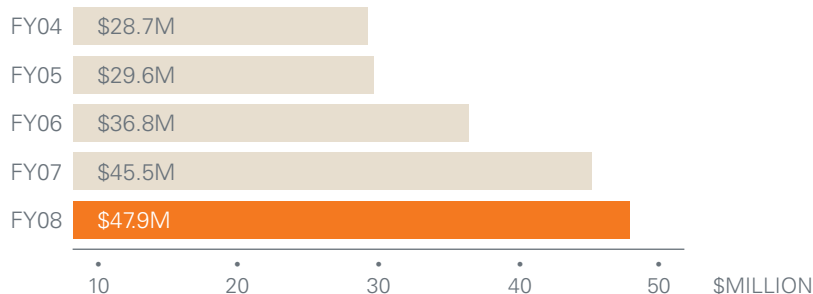
GROSS REVENUE

Gross revenue
increased by
15.4%



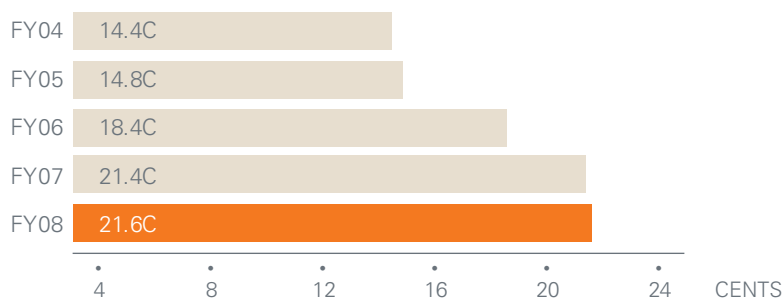
NET PROFIT AFTER TAX

Net profit after tax
increased by
5.3%



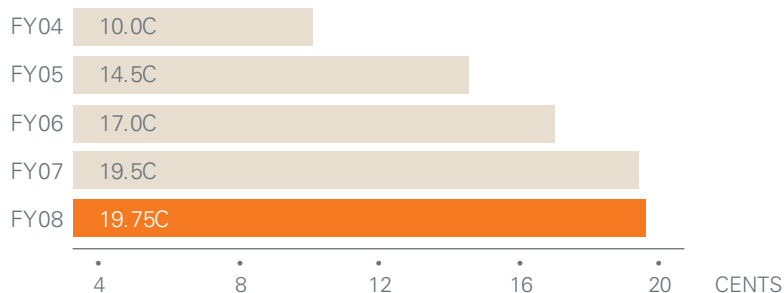
EARNINGS PER SHARE

Earnings per share
increased by
0.9%



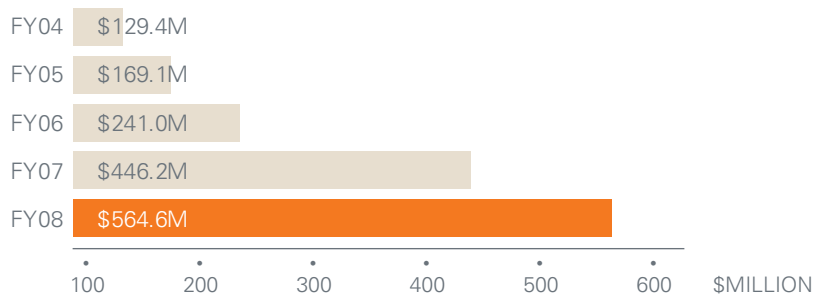
DIVIDEND PER SHARE

Dividend per share
increased by
1.3%



TOTAL ASSETS

Total assets
increased by
26.5%





On behalf of the Peet Limited Board, I am pleased to present the Peet 2008 Annual Report with details of another year of record earnings and very sound returns to shareholders and investors.

These good results have been achieved in difficult market conditions – nationally and internationally – and the challenges will continue in the year ahead.

Nonetheless, we remain confident in the fundamentals underpinning the Australian residential property market including population growth, low unemployment rates and strong demand for housing.

Peet's success during the year, despite the challenges, has resulted from the same strong business model and commitment to excellence that has built the business over the past 113 years and delivered sound returns to our investors year after year.

The Directors are pleased to have declared a final fully franked dividend for the year of 10.75 cents per share – bringing the total dividend per share for the year to 19.75 cents – or 28.2 cents per share before tax allowing for 100% franking. The final dividend payment date is 16 October 2008.

During the 2008 financial year, Peet continued to build its land bank with the strategic acquisition of property across the country. Some 5,600 lots were acquired bringing Peet's total land bank at 30 June 2008 to approximately 37,000 lots with an estimated on completion value of \$7.4 billion, if sold at today's prices.

The highlight of the acquisitions program during the year was the purchase of 243 hectares of rare beachfront land at Alkimos in Perth's northern suburbs by the Peet wholesale land syndicate.

Our practice of identifying and acquiring strategically located land in growth corridors around Australia means we continue to hold the third largest land bank of any listed property company.

Highlights of Peet Limited's performance in the 2008 financial year include:

- pre-tax profits of \$70.1 million and \$47.9 million net profit after tax;
- total dividend payments – in April 2008 and the final dividend due in October 2008 – of \$43.9 million, fully franked;
- annual dividends equate to 19.75 cents per share fully franked (or 28.2 cents per share before tax); and
- continued growth in earnings per share.

This solid performance is the result of pleasing outcomes across our core areas of operation – asset management, funds management and land syndication.

As well as good results from sale and settlements of Company-owned land during the year, Peet's land syndication model continued to provide quality investment opportunities to a very wide range of Australians. During the 2008 year, more than 1,400 lots were sold across Peet's syndicated land developments.

At the end of the financial year, our syndicated land bank comprised approximately 16,500 lots and we look forward to the development of that land bank to benefit our investors and estate residents in the years ahead.

Peet Limited continues to operate with a relatively conservative level of debt gearing and our working capital efficient business model will continue to stand us in good stead as we move into an even more challenging year ahead.

(Continued on page 10)

The early part of the new financial year has delivered specific challenges at our Brookland Greens estate in Victoria (managed and marketed by Peet Limited on behalf of the Peet & Co Casey Land Syndicate Limited) in the form of serious management issues relating to the disused landfill site neighbouring the estate.

The landfill site is owned by the City of Casey and its operation, and management since closing in mid-2005, has been monitored by the Environmental Protection Authority (EPA) Victoria.

We are deeply concerned by the distress caused to the residents of Brookland Greens and by some unfounded and unwarranted attacks on Peet's integrity made in the weeks following the events of early September. There is no question that all development at Brookland Greens estate has been undertaken in accordance with the appropriate planning and development approvals processes, including required environmental approvals.

The work of the Board, our senior management team and everyone at Peet will continue to demonstrate our strong commitment to good governance and the highest ethical standards in all our business activities.

I have every confidence in the skill and dedication of our management team, led by Brendan Gore and, on behalf of the Board of Directors, I pay tribute to each of them for their work during the year. The senior team was boosted during the year with the appointment of three very experienced executives in Darren Cooper, Chief Operating Officer, Mario Pisano, Chief Financial Officer and Peter Dumas who took up the new position of Head of Funds Management.

One of the indicators of the strength and integrity of the Company is the quality of the people we are able to attract, and the injection of this high-calibre team of executives – with close to 70 years of experience collectively – highlights Peet's reputation in the national property market.

I would also like to commend the work and ongoing diligence of my fellow Board members. Every shareholder in Peet can be proud and confident in their executive directors in Brendan Gore and National Business Development Director, Anthony Lennon, and the non-executive directors in Stephen Higgs, Graeme Sinclair, Warwick Hemsley and myself.

The Board has been very active and diligent throughout the year and I thank, in particular, our Company Secretary Dom Scafetta who has consistently and reliably made available to me much-valued support and well-balanced guidance throughout the year.

Peet Limited has many highly valued corporate relationships and I make particular mention of our strong and proud history with the National Australia Bank, which dates back to Peet's earliest days in the late 1800s.

And finally, but always most importantly, I take this opportunity to put on record again our appreciation of our investors and shareholders. We value your support and loyalty enormously and recognise the faith you place in our Board and management.

As always, we continue to look for new opportunities to strengthen and grow this business that has been trading now since 1895 – to deliver to our investors the sound returns that come from a commitment to the highest standards of performance.



Tony Lennon
Chairman
30 September 2008

The 2008 financial year delivered some of the most challenging conditions seen by the property industry for many years and, in that context, Peet's underlying strength and positioning as a national property group has been well demonstrated.

Peet Limited's specialist skills in residential land development, our geographic diversity and the continued growth of other elements of the business underpinned a solid performance in difficult trading conditions.

Specifically, the earnings growth in the 2008 financial year was due to the continuing strength of the Company's land syndication business, solid residential land sales in Victoria and Queensland and a satisfactory performance in a challenging Western Australian market.

The contribution of our east coast operations to Peet's earnings grew for the fourth consecutive year – some 69% of EBIT came from our business activities in Victoria and Queensland.

One of Peet's key strengths is our ability to strategically manage our production pipeline and marketing schedule to optimise earnings in different market conditions around the country. During the year, three new projects commenced in Victoria and Queensland and a further eight new east coast projects are scheduled to commence development in the year ahead.

As at 30 June 2008, Peet managed and marketed 80 Company-owned, syndicated and joint venture projects across Australia. These projects comprised some 37,000 lots, with an on-completion value of \$7.4 billion, if sold at today's prices.

The Group sold a total of 2,274 lots from its managed and owned projects during the year, grossing in excess of \$370 million in sales. Settlements from those projects were achieved on more than 2,400 lots grossing over \$426 million in sales revenue.

Our land syndication business performed very well during the year, with the strongest sales and settlements on the east coast. Another three syndicated projects across Queensland and New South Wales are scheduled to commence development in the 2009 financial year.

As well as establishing our first syndicate with land in three states, Peet welcomed strong institutional support for its first wholesale land syndicate, which purchased one of the last tracts of beachfront land within 40 kilometres of any capital city in Australia, at Alkimos, a suburb north of Perth.

Since year end, local government endorsement for the District Structure Plan has been achieved and work has commenced on the Local Structure Plan and visioning for this exciting project. In the first half of the 2009 financial year, Peet will extend a unique opportunity to our retail investors with the much-anticipated release of a retail Alkimos syndicate to be known as Peet Perth Beachfront Land Syndicate Limited.

Peet also continued its successful partnerships with the Western Australian State Government in two joint venture projects – the award-winning transit-oriented development, the Village at Wellard, and the urban renewal project at Quattro: the New Queens Park. Our first Sustainable Home opened at Quattro during the year and first land sales are expected to commence in the year ahead.

Meanwhile, construction commenced on the first 31 homes in Stage 1 of Peet Senior Living's Latitude Lakelands project in Western Australia with good demand for pre-sales.

Another milestone during the year was the commencement of construction of the \$20 million Carramar Village shopping centre in Perth's northern suburbs. The development is being managed by Peet on behalf of the Yatala Unit Trust.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REVIEW

PEET LIMITED AND ITS
CONTROLLED ENTITIES

The Peet Income Property Fund has also performed solidly during the year, with independent valuations showing a 16% increase in the value of its portfolio of 10 properties. The Fund has around 600 investors and delivered a 100% tax-deferred distribution of 9.16 cents per unit for the year.

I would like to use this opportunity to thank Peet's entire team of very high-quality professionals who have once again demonstrated their commitment to our institutional and retail investors, our business partners and the residents of our estates across Australia.

In the year ahead, Peet's focus will be on maintaining our responsible level of gearing and strategic approach to business development in what is expected to be varied and sometimes difficult market conditions.

We will continue to:

- focus on our core business of asset management, land syndication and funds management;
- seek opportunities to grow our existing funds management platform and capital partnering relationships;
- remain prudent with capital management by recycling capital and managing gearing levels;
- address the affordability issue through a full range of product offerings; and
- leverage our land bank to generate further development opportunities.

While the volatile macroeconomic environment and challenging market conditions will persist in the year ahead, the economic fundamentals prevailing in our key markets, including population growth and underlying demand, remain sound.

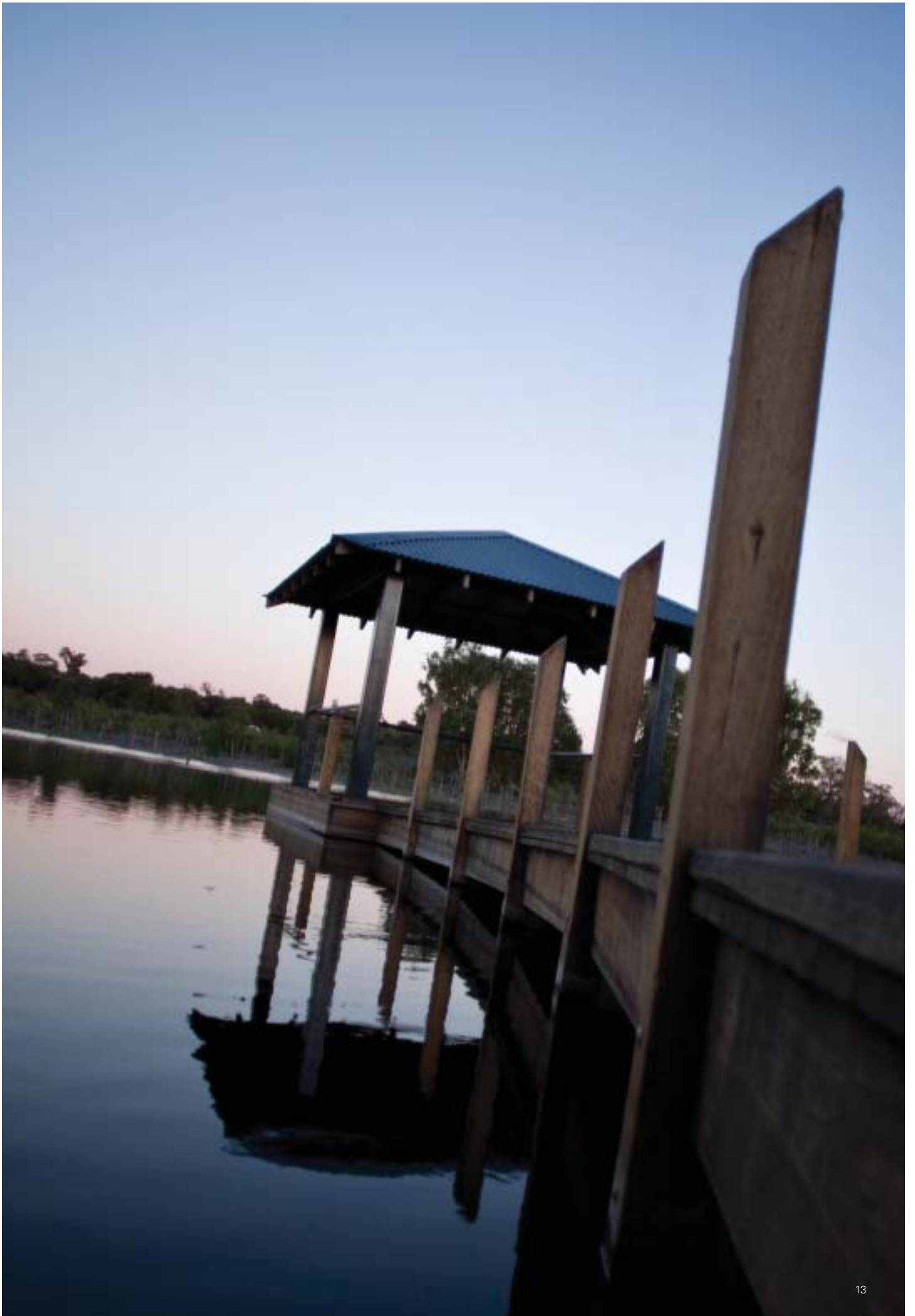
I have been pleased to welcome considerable new talent and experience to the senior management during the year and, with our overall management experience, the strength of our business platform and the geographic diversity of our business, I believe we are well placed to target continued earnings growth in the medium to long term.

On behalf of the entire Peet team, I would like to thank our Chairman, Tony Lennon, and the other Board members for their support during the year.

I also take this opportunity to thank all our shareholders and syndicate investors for their continued loyalty and support.



Brendan Gore
Managing Director and CEO
30 September 2008



Asset Management

The Company's unique working capital efficient business model, combined with the size and geographic diversity of the land bank, enables Peet to manage risk and optimise returns for investors and shareholders.

In the year past, Peet has demonstrated that its asset management experience and capability is one of the core strengths driving the Company's consistently sound performance.

HIGHLIGHTS

Pre-tax earnings from Company-owned projects improved 7.8% to \$34.8 million

More than 800 Company-owned residential lots sold at an average of more than \$197,000 per lot

Over 800 settlements of Company-owned lots at an average price of \$192,000 per lot

Some 17,200 lots in 47 Company-owned projects with an estimated on-completion value of \$2.9 billion, if sold at today's prices

The first display home at Peet Senior Living's first over-55s development opened at Latitude Lakelands in Western Australia

Designs for Peet's first townhouse development in Victoria at The Terraces at Point Cook Junction completed



Acquisitions

Peet's skill in land acquisition over many decades is the foundation stone of its success as a developer – providing quality product to which Peet value-adds with experienced management and marketing to optimise returns.

During the year, Peet's acquisitions strategy continued with the acquisition of well-located land parcels, mainly in Western Australia, Victoria and Queensland – maintaining a very strong production pipeline.

A total of some 5,600 lots was acquired, comprising a combination of residential and potential industrial lots.

Peet's acquisitions reflected the Company's long-held practice of identifying and acquiring land in growth corridors of the future, often near existing or proposed infrastructure including roads, rail and public transport routes.

The \$300 million purchase of some 243 hectares of beachfront land at Alkimos on Perth's northern coastline by the Peet wholesale land syndicate was the most significant acquisition during the year, boosting the owned and managed land bank by more than 2,800 dwellings.

Other acquisitions included 64 hectares of strategically-located land earmarked for industrial development in Melbourne's western industrial node of Truganina. This latest acquisition brought the Company's total industrial land holding in the area to 110 hectares.

Land bank

Peet Limited has established a quality national land bank that provides a diversified production profile.

Peet's land bank is made up of syndicated, joint venture and company-owned projects. At year-end, it totalled some 37,000 lots – a net increase of more than 3,000 lots over the year.

The land bank is the third largest of any ASX listed property group and has an estimated on-completion value of approximately \$7.4 billion, if sold at today's prices. It is spread across Western Australia, Victoria and Queensland, with an additional two projects established in New South Wales.

The size of the land bank enables Peet to make acquisitions well ahead of production, providing significant competitive advantage.

The Peet land bank has been built over decades and, in the years ahead, Peet will continue to grow the asset base with strategic acquisitions that are timed and located to provide the best results for shareholders and investors – as well as a growing Australian population keen to secure quality, affordable property.

Peet Estates

At 30 June 2008, Peet was project manager and marketing agent for 80 land developments around Australia.

Spread from regions in north Queensland to the Great Southern in Western Australia, these developments range from beachside estates and lakeside residential communities through to affordable suburban estates with a range of lot sizes and features.

The Group sold a total of 2,274 lots from its managed and owned projects during the year, grossing in excess of \$370 million.

Owned projects accounted for 814 lot sales at an average price of \$197,000 (excluding special sites) with most (60%) sold in Victoria. Pre-tax earnings from Company-owned projects improved by 7.8% from \$32.3 million to \$34.8 million for the year, on the back of more than 800 settlements at an average price of \$192,000 per lot (excluding special sites).

Peet's land bank of owned projects comprise some 17,200 lots with an estimated on-completion value of \$2.9 billion, if sold at today's prices. This includes almost 12,000 lots across 29 Company-owned projects in Victoria and Queensland.

Joint ventures

Peet is a respected joint venture partner, offering state and local governments, organisations and individuals the opportunity to work with an experienced development partner.

Our joint venture partners benefit from our stability and experience, our modern, visionary approach, our links with the community and our standing as a financially capable, professional and ethical company.

Peet has two joint venture projects in Western Australia and another at Caboolture in Queensland where construction will commence in the year ahead.

The Village at Wellard is a quality, transit-oriented development being undertaken with the Western Australian State Government in Perth's southern corridor. Settlements were achieved on 149 lots during the year.

The Quattro urban renewal project in Queens Park, Western Australia, also being undertaken with the WA State Government, celebrated a major milestone with the opening of the Quattro Sustainable Home, demonstrating environmentally sustainable features that can be incorporated into existing or new homes at an affordable price.

Major landscaping and further refurbishment works were also completed during the year at Quattro, with the first sales expected in the year ahead.

Peet will continue to look for opportunities to establish strategic partnerships for the benefit of the Company and the community.

Built form

Peet Senior Living is developing its first over-55s residential project within the award-winning Lakelands Private Estate in Mandurah, Western Australia.

Under the brand name, "Latitude" (a combination of the words "attitude" and "latitude") the project has achieved a total of 21 pre-sales, which are expected to commence settling during the 2009 financial year.

The development includes 194 two and three-bedroom villas and recreational facilities and a state-of-the-art, resort-style clubhouse which will provide a focal point for residents.

During the year, the first display home was also opened, and construction commenced on the first 31 homes in Stage 1.



Latitude Lakelands display home exterior



Latitude Lakelands display home interior

Peet Living is the residential housing division with a focus on architecturally-designed, urban living solutions to suit a range of modern lifestyles. The boutique residential developments offer a variety of apartment, townhouse and villa opportunities, and represent a new, affordable solution for homebuyers.

During the year:

- construction of 24 apartments and one commercial unit at Grand 56 in Joondalup was completed with the first residents moving in late in the 2008 financial year;
- construction of 15 apartments and one commercial unit at Sixteen Hammersmith, also in Joondalup, progressed, with completion and settlements due in the first half of the 2009 financial year;
- design for two, 60-unit apartment and townhouse complexes at the Village at Wellard in WA was completed; and
- designs for 46 live/work townhouses in Point Cook Junction were prepared for release in the 2009 financial year.

Peet Commercial is responsible for planning facilities that deliver a comprehensive range of services, including shopping centres and medical facilities on selected Peet land estates to benefit the residents and surrounding areas.

During the year, Woolworths was named as the major supermarket retailer of the \$20 million Carramar Village shopping centre in Perth's northern suburbs. Construction of the shopping centre, which is being developed by Peet Commercial on behalf of the Yatala Unit Trust, also commenced and is scheduled for completion during the 2009 financial year.

The centre will include the 3,200 square metre supermarket, along with a further 1,800 square metres of retail space accommodating up to 16 specialty shops and 250 square metres designated for other uses such as medical.



Artist's impression -
Sixteen Hammersmith frontage



Artist's impression -
Carramar Village shopping centre

Land Syndication

Having pioneered the land syndication model decades ago, Peet continues to be a national leader in retail residential land syndicates with a demonstrated track record of exceeding targeted returns.

Peet syndicates are special-purpose vehicles established to acquire specific assets. Dividends and returns of capital flow to the syndicate members once profits are derived from the sale and settlement of developed lots.

HIGHLIGHTS

\$300 million wholesale land syndicate established and 243 hectares of rare beachfront land purchased in Perth's northern suburbs

Peet Tri State Syndicate Limited established

Total fee income from Peet's land syndication business increased by 7.1% to \$45.6 million

Pre-tax earnings increased by 10.8% to \$34.9 million

More than 1,400 lots sold across syndicated land developments

Syndicated land bank of approximately 16,500 lots

Head of Funds Management appointed



Beachfront land at Alkimos



Alkimos coastline from the Indian Ocean

Land Syndication

During the 2008 financial year, Peet achieved a key strategic objective with the establishment of the Peet wholesale land syndicate. Its purchase of 243 hectares of rare, beachfront land at Alkimos, north of Perth, was completed in March 2008. Much of the property has ocean views and, with an anticipated yield of more than 2,800 dwellings, is expected to deliver sound returns in the years ahead.

A retail syndicate opportunity in relation to the Alkimos project is expected to be released in the first half of the 2009 financial year and will be known as Peet Perth Beachfront Land Syndicate Limited.

Another key achievement for the year was the completion of Peet's first retail syndicate with land in three states. In line with its national investor relations strategy, Peet grew its investor base by attracting new investors from across Australia. Peet Tri State Syndicate Limited holds land in Western Australia, Queensland and New South Wales and the first lots are due to be released in the year ahead.

During the year, more than 1,400 syndicated residential lots were sold at an average price of almost \$170,000 per lot, excluding special sites. These sales, and more than 1,480 settlements across syndicated projects, contributed to a 7.1% increase in revenue from land syndication to \$45.6 million.

The increase in sales revenue resulted in a 10.8% increase in pre-tax earnings to \$34.9 million. This improved result was attributable to sound demand for residential land across Victoria and Queensland.

Peet also appointed a new Head of Funds Management during the year with responsibility for land syndication and the Peet Income Property Fund, adding to its expertise and experience in this area.

At year end, Peet was managing 28 syndicated land holdings, half of which are located on the east coast. These syndicated land holdings comprise a total of approximately 16,500 lots with an estimated on-completion value of \$3.8 billion, if sold at today's prices.

Funds Management

The Peet Income Property Fund (PIPF) has around 600 investors and owns 10 properties spread across four states and territories. It focuses on industrial and commercial property throughout Australia and provides investors with income producing, sector-specific investment opportunities.

PIPF properties are typically high-yielding, well-leased and strategically located. They include investments in Western Australia, Queensland and the Northern Territory. Additionally, the Fund's first purchase in Victoria – a new industrial property at Tullamarine – settled in August 2007.

In the year past, PIPF consolidated its financial position, and a focus on increasing the leasing profile of its property portfolio underpinned further increases in its value. Independent valuations undertaken during the year showed a 16% increase in the portfolio's total value, bringing it to \$62 million.

PIPF had a 100% tax deferred distribution of 9.16 cents per unit in respect to the 2008 financial year and Net Tangible Assets per unit increased by 19% to \$1.57. This gave investors a total return for the year of 35 cents per unit.

HIGHLIGHTS

More than 600 unit holders at year-end

More than \$62 million in funds under management at 30 June 2008

100% tax-deferred distribution of 9.16 cents per unit

Increase of 19% in Net Tangible Assets (NTA) per unit to \$1.57

Total return of 35 cents per unit for the year



10 Brandle Street, Brisbane



15 Brandle Street, Brisbane

Sustainability

Peet Limited is committed to environmental excellence and sustainability.

Our master planning is about providing a safe, secure environment that encourages residents to relate to one another and make the most of estate features including landscaped parklands, playgrounds, barbeque areas and walking trails.

All Peet's estates optimise environmental features such as wetlands and natural bushland areas, and promote safety by embracing "designing out crime" principles. The development plans for a number of estates include the preservation of large tracts of natural bushland or wetlands.

Residents in Peet communities are encouraged to become involved in the development of their estate in a range of different ways including environmental initiatives, resident groups, community events and local community safety programs.

During the year, Peet undertook a range of initiatives and programs at its estates around the country including:

- The Waterwise Gardens Competition – More than 2,000 Victorian students from 23 schools participated in the Waterwise Gardens Competition. Students explored Waterwise concepts in designing their own Waterwise Garden and six winning schools received a Peet-designed garden, constructed with the help of students.
- Waterwise gardens – Peet has responded to drought conditions, particularly in Victoria, with the inclusion of Waterwise front garden landscaping in its Flying Start package for purchasers in Peet estates.
- Sustainable demonstration home – Joint venture partners, Peet Limited and the WA Department of Housing and Works, officially opened the Sustainable Home at Quattro: The New Queens Park. The Home demonstrates affordable, environmentally-friendly features.
- Foreshore rehabilitation – Works continued at Burns Beach Estate, WA, as part of the Foreshore Management Plan established to protect and maintain the integrity and biological diversity of the estate's foreshore reserve.
- Planting days – Community and schools planting days saw some 12,000 seedlings propagated in the local Ngulla Nursery planted within the wetlands at The Village at Wellard, WA.
- Fauna relocation – qualified fauna handlers continued to work at The Village at Wellard to locate, trap and move native fauna as part of the estate's relocation program.

Community

Peet Limited is proud to have been a part of the Australian community since 1895.

Part of its commitment to enriching lives includes the support of the local communities in which it operates and the wider community through the sponsorship of organisations representing the arts, social welfare groups and sport. Peet also makes corporate donations to, and participates in, fund raising activities for a wide range of groups who, in turn, help thousands of Australians in need every year.

During the 2008 financial year, Peet Limited was proud to support:

- The West Australian Opera's Peet Young Artist Concert Series;
- Peet Op Shop Ball for Anglicare;
- Foxtel Lap supporting the Murdoch Children's Research Institute;
- Boardroom Blitz supporting the Princess Margaret Hospital Foundation;
- Great Bike Ride, raising funds for the St John of God Foundation Horizon Project, Hope for Children and the Heart Foundation;
- Other organisations including St Vincent de Paul and the Salvation Army; and
- More than 25 local community, environment and sporting groups operating in, and close to, Peet estates around the country.

The company also supports a number of industry activities and organisations including the Planning Institute of Australia, the Urban Development Institute of Australia, the Property Council and the Victorian Planning and Environmental Law Association's Young Professional Award.

Awards

Peet Limited has been proud to earn a number of coveted industry awards for excellence in planning, design, environmental management and the development of vibrant, sustainable communities. In the past year, it added the following award to its portfolio:

2008

Urban Development Institute of Australia (WA) - Awards for Excellence (Judges Award)

The Village at Wellard, Wellard, WA

2007

Western Australian Coast Care Awards - Outstanding Coastal Development (Innovation and/or Design)

Burns Beach Estate, Burns Beach, WA

In the 2008 financial year, Peet Limited was also proud to accept the Brand Revitalisation Award from the Australian Marketing Institute (WA), earning the award ahead of other leading Western Australian brands.





30 SEPTEMBER 2008

Record date for final dividend in respect to the year ended 30 June 2008

30 SEPTEMBER 2008

Annual Report for the year ended 30 June 2008 lodged with ASX

16 OCTOBER 2008

Payment date for final dividend in respect to the year ended 30 June 2008

17 OCTOBER 2008

Annual Report and notice of Annual General Meeting despatch to shareholders

19 NOVEMBER 2008

Annual General Meeting to be held at Parmelia Hilton Perth Hotel at 10.00 am (WDST)

FEBRUARY 2009

Release of FY09 Half Year Results

MARCH 2009

Record date for interim 2009 dividend

APRIL 2009

Interim 2009 dividend to be paid

Outlined below are the main Corporate Governance policies and practices in place during the financial year ended 30 June 2008. 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 of Directors 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 and Chief Executive Officer and overseeing succession plans for the senior executive team;
- approving and monitoring financial reporting and capital management;
- approving and monitoring the progress of business objectives;

- ensuring that any necessary statutory licences (for example, Australian Financial Services Licence) are held and compliance measures are maintained to ensure compliance with the law and licence(s);
- ensuring that adequate risk management procedures are in place;
- ensuring that the Peet Group has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the 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. Since the appointment of Mr Brendan Gore as Managing Director and Chief Executive Officer on 6 August 2007, the Board now comprises two executive directors and four 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 ASX Corporate Governance Council's principles recommend that Boards consist of a majority of independent non-executive directors; however, while the Peet Board does not meet this recommendation, it does consist of a majority of non-executive directors, one of whom is Chairman.

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 Warwick Hemsley is a substantial shareholder in the Company and was, most recently, Managing Director of the Company up to his retirement from that role in August 2007. He remains on the Board as a non-executive director and is not considered independent.

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

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

Directors' Independence

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

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

- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

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

The Board undergoes periodic formal assessments, as and when considered appropriate.

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 time being, be considered by the full Board subject to any applicable laws. Accordingly, a separate 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 the Company.

Board Committees

The following 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 plans; and
- the remuneration framework for directors, including non-executive directors.

The Remuneration Committee currently consists of two independent directors and the non-executive Chairman.

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

The members of the committee during the year were:

- Mr SF Higgs (Chairman) - Independent non-executive director
- Mr GW Sinclair - Independent non-executive director
- Mr AW 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 at item 14 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. The current Committee consists of two independent directors and the Non-executive Chairman.

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 five meetings during the year, which were also attended by the Executive Directors and the Chief Financial Officer. The external auditors were invited to attend two of the five meetings.

The members of the committee during the year were:

- Mr GW Sinclair (Chairman) - Independent non-executive director
- Mr SF Higgs - Independent non-executive director
- Mr AW Lennon - Non-executive Chairman

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) – a practising accountant for over 40 years including 11 years in public practice. In more recent times, Mr Rundle has been involved in property development, including being a member of the unit-holders advisory committee of managed investment schemes managed by Peet.
- Mr A Hicks (external member) – former partner of the firm currently known as RSM Bird Cameron. Mr Hicks spent his entire working life in public practice and is a Fellow of both CPA Australia and Institute of Chartered Accountants of Australia.
- Mr W Hemsley (non-executive director) – please refer to information on the Board of Directors of Peet Limited.

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 Parent Entity's Australian Financial Services Licence and the various Managed Investment Schemes' Constitutions and Compliance Plans to the Board, which is then required to report to ASIC any significant breach of obligations.

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 periodically and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers were appointed as the external auditors in 1998. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. In accordance with the requirement of the *Corporations Act* a new lead audit partner, Mr David J Smith was appointed for the 2008 financial year's audit.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in item 16 of the Directors' Report and in Note 25 to the Financial Report.

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

Corporate Reporting

The 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 immediately following:

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

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

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

During Other Periods

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

Directors and Senior Management

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

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

- a director of Peet (including the Managing Director) must notify the Chairman and Company Secretary prior to undertaking a transaction;
- the Chairman must notify the Board or the next most senior director, prior to undertaking a transaction; and
- senior management must notify the Managing Director 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 2001* and the ASX Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.

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

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

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

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

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



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

Tony Lennon

FAICD
Chairman

Tony Lennon brings more than 40 years' property experience to the position of Chairman of the Board. He has been a director of Peet for more than 20 years and was Executive Chairman before the company was listed on the Australian Securities Exchange in 2004.

A qualified valuer, Mr Lennon acquired a controlling interest in, and took up the position of Managing Director of, Peet Limited in 1985. Today, he continues to maintain a significant and active interest in the Company.

Mr Lennon is a Fellow of the Australian Institute of Company Directors and an Associate of the Australian Property Institute. Formerly President of the Real Estate Institute of Western Australia, he has also served as the Institute's Senior Arbitrator (Ethics and Practice) and as a Councillor of the national body, the Real Estate Institute of Australia.

His industry service has included State Government appointed roles as Chairman of both the Perth Inner City Living Taskforce and the Residential Densities Review Taskforce. He is also a Member of the Commercial Tenancies Tribunal.

Mr Lennon is a former President of Western Australia's Shire of Peppermint Grove and Deputy Chairman of the National Board of the Australia Day Council. He is also a former Chairman of the Curtin Aged Persons Foundation and a founding Director of the Wearne and the Riversea Hostels for the Aged, both of which are locally initiated and managed community facilities.

Brendan Gore

BComm, FCPA, FCIS, MAICD
Managing Director and Chief
Executive Officer

Brendan Gore has held senior corporate, commercial and operational roles for more than 16 years and brings to the positions of Managing Director and Chief Executive Officer wide-ranging expertise in the business, resources and property sectors.

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

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

He began with Peet as Chief Financial Officer and played a key role in expanding the Company's scope of activities and growing its core residential development and land syndication businesses.

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

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

Warwick Hemsley

BComm, Assoc Dip Val, CPA, FAPI
Independent Non-executive Director

Warwick Hemsley's long-standing association with Peet extends from 1985 when he became a director and significant shareholder in the company. During that time he served as Managing Director and Chief Executive Officer for 17 years, retiring in August 2007.

A 30-year veteran of the property industry, Mr Hemsley is a widely respected leader and continues to hold high-profile roles in key industry and other commercial bodies.

He is President of the Urban Development Institute of Australia (WA) and past Chairman of the Housing Industry Forecasting Group – a joint government and industry body which monitors and forecasts housing demand.

Mr Hemsley is a Board Member and a General Councillor of the Western Australian Chamber of Commerce & Industry and was formerly Chairman of its Capital City Committee.

Stephen Higgs

BEC (Syd)
Non-executive Director

Mr Hemsley has served in a number of community roles and has an active role as Deputy Chairman of the West Australian Opera Company and Council Member of the National Gallery of Australia. He is a former Chairman of the Australia Day Council of Western Australia and continues to participate on the management committee. Other former roles include membership on the School Council of St Hilda's Anglican School for Girls, National Board Member of Kids Helpline Australia and Treasurer of St George's Charitable Trust. He was also an active Rotarian for 14 years and served as International Service Director during that time.

With more than 30 years corporate finance experience behind him, Stephen Higgs joined the Board of Peet as a Director in June 2004.

Mr Higgs has held a series of board roles with high-profile Australian companies, including UBS Investment Bank, with which he worked for 20 years to cement a leadership position in the private equity market.

In addition to his role on Peet's Board, Mr Higgs is currently a Non-executive Director of Primary Healthcare Limited.

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

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

Graeme Sinclair

BComm, CA, ACIS, FAICD
Non-executive Director

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

Mr Sinclair gained his accounting qualifications with then-named Peat Marwick Mitchell & Co – now KPMG – in 1971, before transferring to the firm's London office.

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

Through one of its subsidiary companies, the Myer Family Office Limited, the group provides ASIC-licensed advisory and financial services. Today, Mr Sinclair serves as both the Group's Chief Executive Officer and Managing Director of the Myer Family Company Pty Ltd.

Mr Sinclair has also been involved in various philanthropic activities, including serving as Secretary of both The Myer Foundation and the Sidney Myer Fund – initiatives which have continued the Myer family's legacy of civic generosity and support of charitable causes.

He is also a director of several private companies.

Anthony Lennon

BA, Grad Dip Bus Admin

**Executive Director / National
Business Development Director**

Anthony Lennon moved to Victoria a decade ago to establish Peet's operations in that State and has overseen significant expansion since that time.

He first joined Peet in 1991 and became a Director in 1996.

Before joining the company, Mr Lennon worked in the United Kingdom, where he completed his post-graduate Diploma in Business Administration while on a Graduate Management Training Scheme with major international construction and development company, John Laing PLC. His time with this global company saw him gain valuable experience in property planning, marketing, feasibility analysis and project management.

Mr Lennon's responsibilities since joining Peet have included project management, broadacre acquisitions, marketing and financing, and a six-year stint as head of conveyancing services.

Currently Peet Limited's National Business Development Director, he has previously held the positions of Director of Marketing and Director of Eastern States Operations, responsible for projects in Victoria, Queensland and New South Wales.

Your Directors present their report on the consolidated entity consisting of Peet Limited ('the Parent Entity' or 'the Company') and the entities it controlled at the end of, or during, the financial year ended 30 June 2008 ('Peet Group').

1 DIRECTORS

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

Non-executive Chairman

AW Lennon

Executive Directors

WD Hemsley (retired on 5 August 2007)

BD Gore (appointed 6 August 2007)

AJ Lennon

Non-executive Directors

WD Hemsley (from 6 August 2007)

SF Higgs

GW Sinclair

Mr WD Hemsley retired as Managing Director and Chief Executive Officer on 5 August 2007 and remains on the Board of Directors in a non-executive capacity.

Mr BD Gore succeeded Mr WD Hemsley as Managing Director and Chief Executive Officer of Peet Limited effective 6 August 2007.

2 PRINCIPAL ACTIVITIES

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

3 REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS

GROUP FINANCIAL SUMMARY	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Revenue	167,957	145,494
Expenses	(95,613)	(78,565)
EBIT	72,344	66,929
Interest expense	(2,287)	(1,749)
Profit before tax	70,057	65,180
Income tax expense	(22,145)	(19,662)
Profit attributable to members of Peet Limited	47,912	45,518

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

4 EARNINGS PER SHARE

	CONSOLIDATED	
	2008 Cents	2007 Cents
Basic earnings per share	21.6	21.4
Diluted earnings per share	21.3	21.1

Basic earnings per share is calculated after income tax expense based on the weighted average number of shares on issue at 30 June 2008.

5 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year, other than those changes identified in the financial statements for the year ended 30 June 2008.

6 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In early September 2008, the Brookland Greens estate in Cranbourne, Victoria, which is managed and marketed by Peet Limited on behalf of the Peet & Co Casey Land Syndicate Limited, was impacted by serious management issues relating to a disused landfill site neighbouring the estate. The landfill site is owned by, and is the responsibility of, the City of Casey.

As a result of these issues involving landfill gas migration and methane gas emissions from the Council site, Peet Limited suspended remaining sales activity at the estate. At the time of reporting, the matter was the subject of an inquiry into the actions of the relevant government authorities being conducted by the Victorian Ombudsman and a separate, wider inquiry into landfill sites being undertaken by the Environmental Protection Authority (EPA) Victoria.

All development at Brookland Greens estate has been undertaken in accordance with the appropriate planning and development approvals processes and Peet is actively assisting the EPA and cooperating fully with the Ombudsman's inquiry.

Peet Limited receives project management, marketing and selling management fees, and manager's performance fees, in accordance with the project management agreement with Peet & Co Casey Land Syndicate Limited. This incident is not expected to result in a material financial impact on Peet's overall project management, marketing and selling management fees or manager's performance fees.

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 2008 ordinary	9.00	19,992	18 April 2008	Franked
Final 2007 ordinary	10.50	23,325	1 October 2007	Franked
	19.50	43,317		
Declared after year end				
Final 2008 ordinary	10.75	23,880	16 October 2008	Franked

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

The financial effect of the dividend declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in the following financial period.

The amount of dividends payable subsequent to year end is based on the 222 million ordinary shares on issue at the record date.

9 ENVIRONMENTAL REGULATION

The consolidated entity is subject to environmental regulation by way of the *Environmental Protection Act 1986* (as amended) and the *Contaminated Sites Act 2003* in respect of its Western Australian land subdivision activities, the *Environmental Protection Act 1970* (as amended) in respect of its Victorian subdivision activities, the *Environmental Protection Act 1994* (including Regulations 1998) and the *Integrated Planning Act* in respect of 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 breaches of environmental regulations in respect of its activities.

10 INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Please 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	INTEREST IN OPTIONS	INTEREST IN ORDINARY SHARES	INTEREST IN OPTIONS
	At 30 June 2008	At 30 June 2008	At the date of this report	At the date of this report
AW Lennon ¹	70,010,448	-	70,010,448	-
WD Hemsley	20,063,600	600,000	20,063,600	600,000
SF Higgs	800,000	-	800,000	-
GW Sinclair	62,000	-	62,000	-
BD Gore	-	1,370,000	-	1,370,000
AJ Lennon ¹	203,294	600,000	203,527	600,000

¹ 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 directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

DIRECTOR	BOARD OF DIRECTORS		AUDIT & RISK MANAGEMENT COMMITTEE		REMUNERATION COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended
AW Lennon	10	10	5	5	2	2
WD Hemsley	10	10	-	-	-	-
SF Higgs	10	9	5	4	2	2
GW Sinclair	10	9	5	5	2	2
AJ Lennon	10	10	-	-	-	-
BD Gore ¹	9	9	-	-	-	-

¹ BD Gore was appointed to the Board effective 6 August 2007.

13 RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

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

At this year's AGM both AW Lennon and SF Higgs will retire by rotation and offer themselves for re-election. The balance of your Board of Directors recommends their re-election.

14 REMUNERATION REPORT

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

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

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

Principles used to determine the nature and amount of remuneration

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

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment to executive compensation; and
- capital management.

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

- rewards capability and experience;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

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

14 REMUNERATION REPORT (CONTINUED)

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

Non-executive directors' fees

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

The current base remuneration was last reviewed with effect from 1 July 2006. 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.

The non-executive directors do not receive any form of retirement allowance.

Executive directors' remuneration

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

Directors' base pay is 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. As and when considered appropriate, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for directors is reviewed annually to ensure the directors' pay is competitive with the market.

Short-Term Incentives (STI)

Each executive director has a target STI opportunity depending on the accountabilities of the role and impact on the Group'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. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the years ended 30 June 2007 and 2008, the KPIs linked to STI plans were based on group, individual business and personal objectives. The KPIs required performance in achieving specific earnings and operational targets, taking into account prevailing market conditions.

14 REMUNERATION REPORT (CONTINUED)

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

Other key management personnel remuneration

The key management personnel and reward framework has the same four components as the executive directors' pay and reward framework:

- 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 personnell's total remuneration.

Base pay

The base pay for key management personnel is 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 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 personnel's 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.

Details of remuneration

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

Other key management personnel

The other key management personnel of the Company and the Group include the Directors and the following executives who have authority and responsibility for planning, directing and controlling the activities of the Group. This also includes the five highest paid executives of the Group as required to be disclosed under the *Corporations Act 2001*.

Name	Position
D Cooper	Chief Operating Officer (appointed 4 February 2008)
M Pisano	Chief Financial Officer (appointed 7 January 2008)
P Dumas	Head of Funds Management (appointed 4 February 2008)
D Scafetta	Company Secretary
N Hinchcliff	Operations Manager, WA
P Lynch	Acquisitions Manager, WA
S Kenney	General Manager, Senior Living
L McGill	General Manager, Residential and Commercial Built Form (resigned 31 May 2008)
D Mulder	Operations Manager, Vic (resigned 14 December 2007)
P MacLeod	State Business Development Manager, Qld (resigned 18 May 2007)

14 REMUNERATION REPORT (CONTINUED)

Details of remuneration (continued)

Directors	Note	SHORT-TERM BENEFITS		EMPLOYMENT SHARE-BASED PAYMENTS			POST-EMPLOYMENT BENEFITS		Long Service Leave	Termination Benefits	Total
		Cash salary and fees ¹	Bonus ²	Other ³	Superannuation	Shares / Options ⁴	Long Service Leave	Termination Benefits			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
AW Lennon	2008	165,000	-	-	14,850	-	-	-	-	-	179,850
	2007	165,000	-	-	14,850	-	-	-	-	-	179,850
WD Hemsley	5	107,394	-	1,538	104,678	-	-	97,328	-	-	310,938
	6	334,869	142,677	10,000	105,113	27,079	-	-	-	-	619,738
SF Higgs	2008	75,000	-	-	6,750	-	-	-	-	-	81,750
	2007	75,000	-	-	6,750	-	-	-	-	-	81,750
GW Sinclair	2008	75,000	-	-	6,750	-	-	-	-	-	81,750
	2007	75,413	-	-	6,337	-	-	-	-	-	81,750
BD Gore	5,6	504,144	250,000	-	13,163	345,452	-	-	-	-	1,112,759
	6	261,842	146,875	-	12,677	18,233	-	-	-	-	439,627
AJ Lennon	6	324,269	175,000	13,000	12,731	-	-	-	-	-	525,000
	6	324,313	175,000	13,000	12,687	27,079	-	-	-	-	552,079
Total	2008	1,250,807	425,000	14,538	158,922	345,452	-	97,328	-	-	2,292,047
	2007	1,236,437	464,552	23,000	158,414	72,391	-	-	-	-	1,954,794

14 REMUNERATION REPORT (CONTINUED)

Details of remuneration (continued)

Other Key Management Personnel	Note	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS			SHARE-BASED PAYMENTS		LONG-TERM BENEFITS		Total
		Cash salary and fees ¹	Bonus ²	Other ³	Superannuation	Shares / Options ⁴	Long Service Leave	Termination Benefits			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
D Cooper	8	2008	121,873	25,000	-	5,050	-	-	-	-	151,923
		2007	-	-	-	-	-	-	-	-	-
M Pisano	8	2008	127,787	20,000	-	11,047	-	-	-	-	158,834
		2007	-	-	-	-	-	-	-	-	-
P Dumas	8	2008	116,443	-	-	10,480	-	-	-	-	126,923
		2007	-	-	-	-	-	-	-	-	-
D Scafetta		2008	166,871	11,475	-	13,129	716	-	-	-	192,191
		2007	157,150	25,721	-	12,681	9,333	-	-	-	204,885
N Hinchcliff	6	2008	192,364	15,700	-	22,293	358	-	-	-	230,715
	6	2007	183,310	60,000	-	20,213	4,667	-	-	-	268,190
P Lynch		2008	189,063	-	-	17,016	430	-	-	-	206,509
	6	2007	202,936	-	-	18,264	5,600	-	-	-	226,800
S Kenney	6,7	2008	168,901	3,700	-	13,129	29,067	-	-	-	214,797
		2007	141,208	35,166	-	12,677	29,067	-	-	-	218,118
L McGill	6,9	2008	163,250	-	-	16,137	3,458	-	64,381	-	247,226
		2007	160,286	36,124	-	17,935	7,767	-	-	-	222,112
D Mulder	9	2008	77,629	-	-	8,307	3,458	-	16,376	-	105,770
		2007	146,348	14,158	-	14,823	7,767	-	-	-	183,096
P Macleod		2008	-	-	-	-	-	-	-	-	-
	9	2007	175,902	-	-	17,099	-	-	-	-	193,001
Total		2008	1,324,181	75,875	-	116,588	37,487	-	80,757	-	1,634,888
		2007	1,167,140	171,169	-	113,692	64,201	-	-	-	1,516,202

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

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

3 Other includes motor vehicle costs and car-parking and are inclusive of related fringe benefits tax.

4 Options Granted - includes the executive and employee share option plan as disclosed in note 37 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 Mr WD Hemsley resigned as Managing Director and Chief Executive Officer on 5 August 2007 and remained as a non-executive director. Mr BD Gore was appointed as Managing Director and Chief Executive Officer on 6 August 2007.

6 Denotes one of the five highest paid executives of the Group and Company, as required to be disclosed under the *Corporations Act 2001*.

7 Share-based payments include \$20,000 (FY07: \$20,000) of Peet Limited shares acquired on market.

8 Key Management Personnel employed part way through the financial year.

9 Remuneration for Mr L McGill, Mr D Mulder and Mr P Macleod are up to their dates of resignation being 31 May 2008, 14 December 2007 and 18 May 2007 respectively.

14 REMUNERATION REPORT (CONTINUED)

Details of remuneration (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	NOTE	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI		TERMINATION/ LONG TERM BENEFITS	
		2008	2007	2008	2007	2008	2007	2008	2007
Directors									
AW Lennon		100%	100%	-	-	-	-	-	-
WD Hemsley	5,6	69%	73%	-	23%	-	4%	31%	-
SF Higgs		100%	100%	-	-	-	-	-	-
GW Sinclair		100%	100%	-	-	-	-	-	-
BD Gore	5,6	47%	63%	22%	33%	31%	4%	-	-
AJ Lennon	6	67%	63%	33%	32%	-	5%	-	-
Other key management personnel									
N Hinchcliff	6	93%	76%	7%	22%	-	2%	-	-
S Kenney	6,7	85%	71%	2%	16%	13%	13%	-	-
D Scafetta		94%	83%	6%	13%	-	4%	-	-
P Lynch	6	100%	98%	-	-	-	2%	-	-
M Pisano	8	87%	-	13%	-	-	-	-	-
D Cooper	8	84%	-	16%	-	-	-	-	-
P Dumas	8	100%	-	-	-	-	-	-	-
L McGill	6,9	73%	80%	-	16%	1%	4%	26%	-
D Mulder	9	81%	88%	-	8%	3%	4%	16%	-
P Macleod	9	-	100%	-	-	-	-	-	-

Service agreements

Remuneration and other terms of employment for the Managing Director and Chief Executive Officer are formalised in a service agreement. The major provisions of the agreement are set out below.

BD Gore, Managing Director and Chief Executive Officer

- Term of Agreement - 4 years commencing 6 August 2007;
- Base salary, inclusive of superannuation, of \$500,000 to be reviewed annually by the remuneration committee;
- Short-term incentive payment of up to 75% of the base salary with the actual payment determined by reference to key performance indicators;
- Long-term incentive payment by way of the granting of 1,200,000 options issued in accordance with the Peet Employee Share Option Plan and approved by shareholders at the 2007 AGM. In addition an interest free loan to pay any taxation liability, which is solely referable to the grant of the options; and
- The service contract may be terminated by Peet at any time after a period of 2 years from the commencement date, by Peet giving not less than 6 month's notice in writing. Payment may be made in lieu of notice. If the service contract is terminated prior to the expiry of the third year of the term due to the relocation of Peet's head office or material change to Mr Gore's employment status, he is entitled to a payment equal to 150% of his fixed annual remuneration.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation

Options over shares in Peet Limited are granted under the Peet Limited ESOP which 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.

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 a specified anniversary date of grant of the options.

Share options granted to Directors

On 18 June 2004, options under the Company's ESOP 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 vesting conditions of these options have been met and the options are now exercisable.

On 6 August 2007, 1,200,000 options were granted to BD Gore under the Company's ESOP and approved by the shareholders at the 2007 AGM. The options are convertible to ordinary shares on a 1:1 basis at an exercise price of \$4.10 per share after the fourth anniversary of the grant date.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Exercise conditions for options

The exercise conditions in respect of the options granted to WD Hemsley and AJ Lennon were based on a blended performance hurdle being achieved combining external and internal performance measures calculated at the end of the performance period, being 18 June 2007.

The external hurdle was based on total shareholder return (TSR) as measured against other companies in the S&P/ASX Small Ordinaries Index. The TSR hurdle related 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 was 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 was then ranked in the group using percentiles. Peet Limited's TSR performance was then calculated at the end of the performance period and compared to the percentile rankings.

The number of options that vested and became exercisable depended on the Company's TSR ranking against the benchmark group as per the following table:

PARENT ENTITY 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 was 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 related to the remaining options, (i.e. 300,000 options). The EPS hurdle operated 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%

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

In relation to the options granted to WD Hemsley and AJ Lennon, the TSR and EPS hurdles have been calculated at the end of the three year performance period. Both the internal and external hurdles have been met with 100% of the options vesting and now being exercisable. At the date of this report none of the options have been exercised. The expiry date of these options is 18 June 2009.

The exercise condition in respect of options granted to BD Gore is that he remains employed as Managing Director for a period of four years. His entitlement to the options reduces on early termination, subject to the terms set out in his Service Agreement.

Share options granted to employees

The ESOP is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if the employees are still employed by the Group at the end of the vesting period and any performance hurdles set have been met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. During the financial year, there were no options granted to employees under the Company's ESOP scheme, other than those granted to BD Gore and approved by shareholders at the 2007 AGM.

Shares under option

Unissued ordinary shares of the Company under option amounted to 2,904,000 at the date of this report. The details of the options are as follows:

NO. OF OPTIONS	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	GRANT DATE	VESTING AND EXERCISE DATE	EXPIRY DATE
1,200,000	\$1.20	\$0.14	18 June 2004	18 June 2007	18 June 2009
84,000	\$1.20	\$0.14	28 July 2004	28 July 2007	28 July 2009
20,000	\$1.71	\$0.21	17 August 2005	17 August 2008	17 August 2010
230,000	\$2.04	\$0.31	1 September 2005	1 September 2008	1 September 2010
100,000	\$2.81	\$0.35	8 February 2006	8 February 2009	8 February 2011
20,000	\$3.09	\$0.38	2 May 2006	2 May 2009	2 May 2011
50,000	\$3.42	\$0.42	24 May 2006	24 May 2009	24 May 2011
1,200,000	\$4.10	\$0.70	30 November 2007	30 November 2011	30 November 2013
2,904,000					

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Option holdings

The number of options over unissued ordinary 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	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Directors							
AW Lennon	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
WD Hemsley	2008	600,000	-	-	-	600,000	600,000
	2007	600,000	-	-	-	600,000	-
SF Higgs	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
GW Sinclair	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
BD Gore	2008	170,000	1,200,000	-	-	1,370,000	-
	2007	170,000	-	-	-	170,000	-
AJ Lennon	2008	600,000	-	-	-	600,000	600,000
	2007	600,000	-	-	-	600,000	-
Other key management personnel							
N Hinchcliff	2008	100,000	-	(100,000)	-	-	-
	2007	100,000	-	-	-	100,000	-
S Kenney	2008	70,000	-	-	-	70,000	-
	2007	70,000	-	-	-	70,000	-
D Scafetta	2008	200,000	-	(200,000)	-	-	-
	2007	200,000	-	-	-	200,000	-
P Lynch	2008	120,000	-	(120,000)	-	-	-
	2007	120,000	-	-	-	120,000	-
M Pisano	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
D Cooper	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
P Dumas	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
L McGill	2008	130,000	-	(100,000)	-	30,000	-
	2007	130,000	-	-	-	130,000	-
D Mulder	2008	130,000	-	(100,000)	(30,000)	-	-
	2007	130,000	-	-	-	130,000	-

During the financial year 620,000 options were exercised by directors or key management personnel.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Shares provided on exercise of options

Details of ordinary shares in the company issued as a result of the exercise of options to each key management personnel are set out below:

NAME	AMOUNTS PAID PER ORDINARY SHARE ON THE EXERCISE OF OPTIONS AT DATE OF EXERCISE		NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	
	2008	2007	2008	2007
	\$	\$	\$	\$
Key management personnel				
D Scafetta	1.20	-	200,000	-
N Hinchcliff	1.20	-	100,000	-
P Lynch	1.20	-	120,000	-
L McGill	1.20	-	100,000	-
D Mulder	1.20	-	100,000	-

Additional information

Performance of Peet Limited

The overall level of executive compensation takes into account the performance of the group over the past year. Comparison to the previous 4 years performance is tabulated below:

YEAR	NET PROFIT AFTER TAX (NPAT) \$'000	NPAT GROWTH %	BASIC EPS Cents per share	BASIC EPS Growth %	DIVIDENDS PAID Cents per share	DIVIDENDS PAID Growth %	AT RISK STI \$	AT RISK STI Growth %
2004	28,734	-	14.4	-	10.00	-	471,587	-
2005	29,603	3.00%	14.8	2.80%	14.50	45.00%	523,279	11.00%
2006	36,834	24.40%	18.4	24.30%	17.00	17.20%	616,500	17.80%
2007	45,518	23.60%	21.4	16.30%	19.50	14.70%	635,721	3.12%
2008	47,912	5.30%	21.6	0.90%	19.75	1.30%	500,875	-21.21%
Average		14.10%		11.10%		19.55%		2.68%

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables within the remuneration report, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out on page 51. No part of the bonuses forfeited is payable in future years. Subject to the rules of the Peet ESOP, no options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

14 REMUNERATION REPORT (CONTINUED)

Additional information (continued)

	CASH BONUS			YEAR GRANTED	VESTED %	OPTIONS		MINIMUM TOTAL VALUE OF GRANT YET TO VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
	PAID %	FORFEITED %	FORFEITED %			FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	FORFEITED \$		
Directors									
AW Lennon	-	-	-	-	-	-	-	-	-
WD Hemsley	-	-	-	-	-	-	-	-	-
SF Higgs	-	-	-	-	-	-	-	-	-
GW Sinclair	-	-	-	-	-	-	-	-	-
BD Gore	67%	33%	2008	-	-	2011	nil	512,781	-
	-	-	2006	-	-	2009	nil	8,204	-
AJ Lennon	67%	33%	2004	-	-	-	-	-	-
Other key management personnel									
D Cooper	50%	50%	-	-	-	-	-	-	-
M Pisano	50%	50%	-	-	-	-	-	-	-
P Dumas	-	-	-	-	-	-	-	-	-
D Scafetta	43%	57%	2005	100	-	2008	nil	-	-
N Hinchcliff	25%	75%	2005	100	-	-	-	-	-
P Lynch	-	-	2005	100	-	2008	nil	-	-
S Kenney	10%	90%	2006	-	-	2009	nil	6,647	-
L McGill	-	-	2006	-	-	2009	nil	535	-
	-	-	2005	100	-	2008	nil	-	-
D Mulder	-	-	2006	-	-	2009	nil	-	-
	-	-	2005	100	-	2008	nil	-	-

14 REMUNERATION REPORT (CONTINUED)

Additional information (continued)

Further details relating to options are set out below.

	REMUNERATION CONSISTING OF OPTIONS ¹	VALUE AT GRANT DATE ² \$	VALUE AT EXERCISE DATE ³ \$	VALUE AT LAPSE DATE ⁴ \$	TOTAL \$
Non-executive Directors					
WD Hemsley	-	-	-	-	-
Executive Directors					
BD Gore	31.0%	840,000	-	-	840,000
AJ Lennon	-	-	-	-	-
Other key management personnel					
N Hinchcliff	0.2%	-	260,000	-	260,000
S Kenney	13.5%	-	-	-	-
D Scafetta	0.4%	-	516,000	-	516,000
P Lynch	0.2%	-	320,400	-	320,400
M Pisano	-	-	-	-	-
D Cooper	-	-	-	-	-
P Dumas	-	-	-	-	-
L McGill	1.4%	-	270,000	-	270,000
D Mulder	3.3%	-	272,000	36,000	308,000
P Macleod	-	-	-	-	-

1 The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

2 The value at grant date calculated in accordance with AASB 2 Share-based payment of options granted during the year as part of remuneration.

3 The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

4 The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

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 Group, or their personally-related entities, during the financial year.

15 INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of directors' and officers' liability that 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 and in Note 25 to the financial statements.

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

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

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

	CONSOLIDATED	
	2008	2007
	\$	\$
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	166,523	116,620
Non-PricewaterhouseCoopers audit firms	13,585	20,845
Total remuneration for audit services	180,108	137,465
Other assurance services		
PricewaterhouseCoopers Australian firm	3,440	9,700
Non-PricewaterhouseCoopers audit firms	7,725	-
Total remuneration for other assurance services	11,165	9,700
Total remuneration for assurance services	191,273	147,165
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	97,141	100,111
Non-PricewaterhouseCoopers tax firms	23,505	-
Total remuneration for taxation services	120,646	100,111

17 AUDITOR

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

18 AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 55.

19 ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial 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.

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



Brendan Gore
Managing Director
Perth, Western Australia

30 September 2008

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of Peet Limited for the year ended 30 June 2008, 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.



David J Smith
Partner
PricewaterhouseCoopers

Perth
30 September 2008

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

2008 financial report

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

Contents

Financial report	
Income statements	58
Balance sheets	59
Statements of changes in equity	60
Cash flow statements	61
Notes to financial statements	62
Directors' declaration	118
Independent audit report to the members	119

This financial report covers both the separate financial statements of Peet Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Peet Limited and its subsidiaries. The financial report is presented in Australian currency.

Peet Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 7, 200 St Georges Terrace Perth WA 6000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Operational Review on pages 14 to 23, which is not part of the financial report.

The financial report was authorised for issue by the directors on 30 September 2008. The directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are accessible via our website: www.peet.com.au

INCOME STATEMENTS

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2008

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	5	167,957	145,494	63,256	66,046
Other income	7(a)	-	-	4,177	2,838
Cost of inventories	6	(62,934)	(51,477)	(5,069)	(5,314)
Employee benefits expense		(12,833)	(11,972)	(12,823)	(11,959)
Depreciation	6	(540)	(437)	(368)	(288)
Finance costs	6	(2,287)	(1,749)	(1,307)	(141)
Project management, selling and other operating costs		(14,038)	(11,284)	(5,293)	(5,318)
Office costs		(2,643)	(2,028)	(2,368)	(1,763)
Other expenses		(2,400)	(1,474)	(988)	(975)
Share of net (loss)/profit of associates accounted for using the equity method	33(b)	(225)	107	-	-
Profit before income tax		70,057	65,180	39,217	43,126
Income tax expense	7	(22,145)	(19,662)	(11,400)	(10,694)
Profit for the year		47,912	45,518	27,817	32,432
Earnings per share for profit attributable to the ordinary equity holders of the Parent Entity:					
Basic earnings per share (cents)	36(a)	21.6	21.4		
Diluted earnings per share (cents)	36(a)	21.3	21.1		

The above Income Statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2008

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents	8	50,277	68,646	6,253	48,064
Receivables	9	36,201	30,867	31,217	22,356
Inventories	10	93,750	45,666	694	873
Total current assets		180,228	145,179	38,164	71,293
Non-current assets					
Inventories	10	353,294	295,491	7,947	8,202
Investments accounted for using the equity method	11	26,239	2,753	-	-
Available for sale financial assets	12	157	1	157	1
Derivative financial instruments	13	1,418	668	1,418	668
Other financial assets	14	-	-	88,209	48,034
Plant and equipment	15	3,235	2,095	2,921	1,749
Total non-current assets		384,343	301,008	100,652	58,654
Total assets		564,571	446,187	138,816	129,947
Current liabilities					
Payables	17	27,631	22,574	4,656	5,835
Land vendor liabilities	18	40,228	28,538	-	-
Borrowings	19	41,700	14,110	20,700	-
Current tax liabilities		7,668	6,123	7,668	6,123
Provisions	20	6,381	5,766	1,171	1,149
Total current liabilities		123,608	77,111	34,195	13,107
Non-current liabilities					
Payables	17	-	-	2	2
Land vendor liabilities	18	49,141	38,502	-	-
Borrowings	19	232,421	182,715	-	-
Derivative financial instruments	13	154	-	154	-
Deferred tax liabilities	21	15,460	11,092	5,166	4,464
Provisions	20	63	75	63	75
Total non-current liabilities		297,239	232,384	5,385	4,541
Total liabilities		420,847	309,495	39,580	17,648
Net assets		143,724	136,692	99,236	112,299
Equity					
Contributed equity	22	85,914	83,946	85,914	83,946
Reserves	23	2,122	1,653	2,122	1,653
Retained profits	23	55,688	51,093	11,200	26,700
Total equity		143,724	136,692	99,236	112,299

The above Balance Sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2008

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial year		136,692	46,650	112,299	35,343
Profit for the year		47,912	45,518	27,817	32,432
Changes in the fair value of cash flow hedges, net of tax		303	468	303	468
Total recognised income and expense for the year		48,215	45,986	28,120	32,900
Transactions with equity holders in their capacity as equity holders:					
Employee share options	23	166	436	166	436
Contributions of equity, net of transaction costs		1,968	82,467	1,968	82,467
Dividends provided for or paid	24(a)	(43,317)	(38,847)	(43,317)	(38,847)
		(41,183)	44,056	(41,183)	44,056
Total equity at the end of the financial year		143,724	136,692	99,236	112,299

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
30 JUNE 2008

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		175,868	129,370	60,289	61,291
Payments to suppliers and employees (inclusive of GST)		(112,148)	(67,780)	(32,457)	(22,137)
Payments for purchase of land		(61,029)	(95,390)	(152)	-
Dividends received		131	252	131	5,252
Interest received		3,397	3,261	1,926	2,460
Interest and other finance costs paid		(18,743)	(13,334)	(1,307)	(201)
Income tax paid		(16,232)	(12,870)	(7,720)	(12,870)
Net cash (outflow) inflow from operating activities	32(b)	(28,756)	(56,491)	20,710	33,795
Cash flows from investing activities					
Payments for plant and equipment		(1,680)	(744)	(1,540)	(639)
Proceeds from sale of investments in associates		1,036	-	1,036	-
Proceeds from sale of available for sale financial assets		-	740	-	740
Payments for investments in associates		(24,748)	(301)	(25,481)	(301)
Payments for investments in available for sale financial assets		(156)	-	(156)	-
Proceeds from capital returns		2	124	2	124
Net cash (outflow) from investing activities		(25,546)	(181)	(26,139)	(76)
Cash flows from financing activities					
Dividends paid		(43,317)	(38,847)	(43,317)	(38,847)
Proceeds from issues of equity securities		1,968	82,467	1,968	82,467
Loans to related entities		(64,153)	(4,597)	(48,310)	(95,985)
Loan repayments from related entities		64,139	5,818	32,577	57,394
Repayments of borrowings		(168,956)	(70,990)	(64,596)	-
Proceeds from borrowings		246,252	132,935	85,296	-
Net cash inflow (outflow) from financing activities		35,933	106,786	(36,382)	5,029
Net (decrease) increase in cash and cash equivalents					
		(18,369)	50,114	(41,811)	38,748
Cash and cash equivalents at the beginning of the financial year		68,646	18,532	48,064	9,316
Cash and cash equivalents at the end of the financial year	32(a)	50,277	68,646	6,253	48,064
Financing arrangements	19(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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Peet Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

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

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.

Comparatives

The comparative revenues and expenses in the income statement and assets and liabilities in the balance sheet have been adjusted to reflect joint venture operations to enhance comparability and understanding of the financial statements. There is no impact on the profit and net asset position of the Group in the prior year.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Peet Limited ("Parent Entity") as at 30 June 2008 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

Investments in subsidiaries are accounted for at cost in the individual financial statements of Peet Limited. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the case of land syndicates, significant influence can exist with a lower shareholding. 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 Parent Entity 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.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Accounting for acquisitions

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. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Plant and equipment

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.

Depreciation on plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Furniture, fittings and equipment - 1 to 5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, marketing and selling management fees

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

Manager's performance fees

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

Other trading activities

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

Interest income

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

Dividend income

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

(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, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are recognised on an accrual basis as the services to which they relate are performed.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade receivables (continued)

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

(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.

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

(l) Investments and other financial assets

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

(i) Loans and receivables

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

Recognition and de-recognition

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.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (continued)

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Fair value

Details on how the fair value of financial instruments is determined are disclosed in Note 1(n).

Impairment

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

(m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of the derivative financial instruments used for hedging purposes is disclosed in Note 13. Movements in the hedging reserve in shareholders' equity are shown in note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivatives (continued)

Cash flow hedge

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

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

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(n) 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, unlisted securities) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

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

(o) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight-line 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.

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.

(q) Land vendor liabilities

Where the Group or Parent Entity enters into unconditional contracts with land vendors to purchase properties for future development that contain deferred payment terms, these borrowings are disclosed at their present value. In prior years, these amounts have been included within Payables. The comparative has been adjusted as appropriate. The unwinding of the discount applied to the acquisition price is included in Finance Costs.

(r) 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.

(s) Employee benefits

(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 discounted cash flow method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash 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 37.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(iii) Share based payments (continued)

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. The impact of the revision to the original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Upon the exercise of options, 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.

(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 a reduction in the future payments is available.

(t) 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.

(u) 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)

(v) 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. Refer to Note 1(t) for provisions for rebates.

Where there are a number of similar obligations, the likelihood that an outflow will be required at settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an 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.

(w) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(x) Goods and Services Tax (GST)

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

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

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

(y) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New accounting standards and UIG interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Certain new accounting standards and Urgent Issues Group (UIG) interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the Parent Entity's assessment of the impact of these new standards and interpretations is set out below:

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8. AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not adopted the standards early. Application of AASB 8 will result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.
- Revised AASB 123 Borrowing costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, 101, 107, 111, 116 & 1387 and Interpretations 1 & 12]. The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises its borrowing costs relating to qualifying assets.
- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.
- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations. AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the Group or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for share-based payments.
- IFRIC Interpretation 15 Agreements for the Construction of Real Estate. IFRIC Interpretation 15 was issued in July 2008 and applies to reporting periods commencing on or after 1 January 2009. The interpretation provides guidance on determining whether an agreement is a construction contract, an agreement for the rendering of services or for the sale of goods. The Group intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the construction of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if IFRIC 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of IFRIC 15.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; credit risk, price risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

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

(a) Credit risk

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

The Group manages this risk by:

- transacting with credit worthy counterparties that have an appropriate credit history;
- utilising ISDA agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties;
- providing loans as an investment into joint ventures and associates where it is comfortable with the underlying property exposure within that entity;
- performing ongoing checks to ensure that settlement terms detailed in individual contracts are adhered to;
- regularly monitoring the performance of its associates, joint ventures and third parties; and
- obtaining collateral as security (where appropriate).

The maximum exposure to credit risk as at 30 June 2008 is the carrying amount of the financial assets as summarised in the table below:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial assets:				
Cash and cash equivalents	50,277	68,646	6,253	48,064
Receivables (excluding prepayments)	35,732	30,508	30,804	22,099
Derivative financial instruments	1,418	668	1,418	668
Total maximum credit exposure	87,427	99,822	38,475	70,831

Cash

The cash component of financial assets is considered to have low credit risk as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The National Australia Bank (NAB) is the only concentration of credit risk for the Group and the Parent Entity.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Receivables

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

The ageing analysis of trade receivables as at 30 June 2008 for the Group and the Parent Entity is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Ageing analysis for trade receivables:				
0 - 30 days	7,711	7,927	4,063	3,135
31 - 60 days	70	151	69	-
61 - 90 days ¹	2	154	2	-
91 - 120 days ¹	1	111	-	95
121 - 150 days ¹	-	127	-	-
151 - 180 days ¹	51	36	111	-
181+ days ¹	4,177	1,099	3,287	76
Total trade receivables	12,012	9,605	7,532	3,306
% of trade receivables with related parties (Note 29)	46%	30%	74%	87%

¹ Past Due Not Impaired (PDNI)

Based on the credit history of these classes, it is expected that these amounts will be received. The Group and the Parent Entity does not hold any collateral in relation to these receivables as the Group and the Parent Entity generally retains title over the property until the full payment is received on settlement. For some trade receivables, the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. There is no significant concentration of credit risk with respect to receivables as the Group and the Parent Entity has a large number of balances with related parties and the remaining with other parties, that have a good credit history with the Group and the Parent Entity.

Derivative financial instruments

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

(b) Price risk

The Group and the Parent Entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale financial instruments.

The Group and the Parent Entity holds units in the Peet Income Property Fund (See Note 12). Peet Limited is the Responsible Entity for Peet Income Property Fund. The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

- will not have sufficient funds to settle a transaction on that date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities (refer to 19(b)), 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, and regularly updating and reviewing its cash-flow forecasts to assist in managing its liquidity.

Financing arrangements

Included in Note 19(b) is a listing of unused borrowing facilities that the Group and the Parent Entity has at its disposal to further reduce liquidity risk.

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

	CONSOLIDATED				Total contractual cash flows	Carrying amount liabilities
	Within 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	\$'000	\$'000
At 30 June 2008						
Non-derivatives						
Non-interest bearing	27,631	-	-	-	27,631	27,631
Fixed rate	42,163	25,765	24,020	15,075	107,023	89,369
Variable rate	60,493	17,246	241,044	-	318,783	274,121
Total non-derivatives	130,287	43,011	265,064	15,075	453,437	391,121
Derivatives						
Net settled (interest rate swaps)	154	-	-	-	-	154
At 30 June 2007						
Non-derivatives						
Non-interest bearing	22,574	-	-	-	22,574	22,574
Fixed rate	29,313	16,660	22,285	15,075	83,333	67,040
Variable rate	45,665	11,689	170,940	-	228,294	196,825
Total non-derivatives	97,552	28,349	193,225	15,075	334,201	286,439
Derivatives						
Net settled (interest rate swaps)	-	-	-	-	-	-

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	PARENT ENTITY				Total contractual cash flows \$'000	Carrying amount liabilities \$'000
	Within 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000		
At 30 June 2008						
Non-derivatives						
Non-interest bearing	4,658	-	-	-	4,658	4,658
Variable rate	60,493	17,246	241,044	-	318,783	20,700
Total non-derivatives	65,151	17,246	241,044	-	323,441	25,358
Derivatives						
Net settled (interest rate swaps)	154	-	-	-	-	154
At 30 June 2007						
Non-derivatives						
Non-interest bearing	5,837	-	-	-	5,837	5,837
Variable rate	45,665	11,689	170,940	-	228,294	-
Total non-derivatives	51,502	11,689	170,940	-	234,131	5,837
Derivatives						
Net settled (interest rate swaps)	-	-	-	-	-	-

(d) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its cash, borrowings and derivative financial instruments.

Borrowings

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

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments that are not included in the table on page 78 are non-interest bearing and are therefore not subject to interest rate risk.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	CONSOLIDATED							
	Floating Interest Rate		Fixed Interest Rate		Total		Weighted average interest rate	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 %	2007 %
Cash and cash equivalents	50,277	68,646	-	-	50,277	68,646	6.69	6.20
Borrowings secured	(274,121)	(196,825)	-	-	(274,121)	(196,825)	7.42	7.08
Interest rate swaps (notional principal amounts)	100,000	50,000	(100,000)	(50,000)	-	-	7.20	6.42
Total net cash flow exposure to interest rate risk	(123,844)	(78,179)	(100,000)	(50,000)	(223,844)	(128,179)		

	PARENT ENTITY							
	Floating Interest Rate		Fixed Interest Rate		Total		Weighted average interest rate	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 %	2007 %
Cash and cash equivalents	6,253	48,064	-	-	6,253	48,064	6.69	6.20
Borrowings secured	(20,700)	-	-	-	(20,700)	-	7.64	-
Interest rate swaps (notional principal amounts)	20,700	-	(20,700)	-	-	-	7.20	6.42
Total net cash flow exposure to interest rate risk	6,253	48,064	(20,700)	-	(14,447)	48,064		

Interest rate sensitivity

The sensitivity analysis on page 79 has been determined based on the exposure to interest rates in existence at balance sheet date, and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

	CARRYING AMOUNT \$'000	CONSOLIDATED -50 BASIS POINTS		+50 BASIS POINTS	
		PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000
As at 30 June 2008					
<i>Financial assets</i>					
Cash and cash equivalents	50,277	(251)	(251)	251	251
Interest rate swaps	1,418	-	(7)	-	7
<i>Financial liabilities</i>					
Borrowings	(274,121)	1,371	1,371	(1,371)	(1,371)
Interest rate swaps	(154)	-	1	-	(1)
Total increase/(decrease)		1,120	1,114	(1,120)	(1,114)

As at 30 June 2007

<i>Financial assets</i>					
Cash and cash equivalents	68,646	(343)	(343)	343	343
Interest rate swaps	668	-	(3)	-	3
<i>Financial liabilities</i>					
Borrowings	(196,825)	984	984	(984)	(984)
Total increase/(decrease)		641	638	(641)	(638)

	CARRYING AMOUNT \$'000	PARENT ENTITY -50 BASIS POINTS		+50 BASIS POINTS	
		PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000
As at 30 June 2008					
<i>Financial assets</i>					
Cash and cash equivalents	6,253	(31)	(31)	31	31
Interest rate swaps	1,418	-	(7)	-	7
<i>Financial liabilities</i>					
Borrowings	(20,700)	104	104	(104)	(104)
Interest rate swaps	(154)	-	1	-	(1)
Total increase/(decrease)		73	67	(73)	(67)

As at 30 June 2007

<i>Financial assets</i>					
Cash and cash equivalents	48,064	(240)	(240)	240	240
Interest rate swaps	668	-	(3)	-	3
Total (decrease)/increase		(240)	243	240	243

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Net fair value

The carrying amounts of financial assets and financial liabilities recorded in the financial statements have been determined in accordance with the accounting policies disclosed in Note 1(n) of the financial statements and are as follows:

	CONSOLIDATED 30 JUNE 2008 \$000		PARENT ENTITY 30 JUNE 2008 \$000	
	Book Value	Fair Value	Book Value	Fair Value
Cash	50,277	50,277	6,253	6,253
Receivables (excluding prepayments)	35,732	35,732	30,804	30,804
Derivative financial assets	1,418	1,418	1,418	1,418
Available for sale financial assets	157	157	157	157
Payables	(27,631)	(27,631)	(4,658)	(4,658)
Land vendor liabilities	(89,369)	(89,369)	-	-
Derivative financial liabilities	(154)	(154)	(154)	(154)
Borrowings	(274,121)	(274,121)	(20,700)	(20,700)
	(303,691)	(303,691)	13,120	13,120

	CONSOLIDATED 30 JUNE 2007 \$000		PARENT ENTITY 30 JUNE 2007 \$000	
	Book Value	Fair Value	Book Value	Fair Value
Cash	68,646	68,646	48,064	48,064
Receivables (excluding prepayments)	30,508	30,508	22,099	22,099
Derivative financial assets	668	668	668	668
Available for sale financial assets	1	1	1	1
Payables	(22,574)	(22,574)	(5,837)	(5,837)
Land vendor liabilities	(67,040)	(67,040)	-	-
Derivative financial liabilities	-	-	-	-
Borrowings	(196,825)	(196,825)	-	-
	(186,616)	(186,616)	64,995	64,995

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on current market rates for similar instruments and were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
Borrowings	6.8% - 8.1%	6.6% - 7.4%	7.2% - 8.0%	-

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

4 SEGMENT INFORMATION

Business segments

The consolidated entity is an Australian based entity 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.

Asset management - Company-owned projects

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

Asset management - joint ventures

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

Geographical segments

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

Inter-segment transfers

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

4 SEGMENT INFORMATION (CONTINUED)

Primary reporting - business segments

	FUNDS MANAGEMENT/ LAND SYNDICATION	ASSET MANAGEMENT COMPANY OWNED PROJECTS	ASSET MANAGEMENT JOINT VENTURES	INTER-SEGMENT ELIMINATIONS AND UNALLOCATED	CONSOLIDATED
Primary reporting business segments	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000
Revenue					
Sales to external customers	34,105	35,800	107,477	86,720	19,841
Inter-segment transactions	8,890	6,184	-	-	-
Total sales revenue	42,995	41,984	107,477	86,720	19,841
Share of net profit/(loss) of associates	-	-	-	-	-
Other revenue	2,582	579	4,113	3,583	-
Total segment revenue	45,577	42,563	111,590	90,303	19,841
Result					
EBITDA	35,174	31,716	35,147	32,585	3,386
Depreciation	(194)	(157)	(322)	(269)	(24)
EBIT	34,980	31,559	34,825	32,316	3,362
Financing costs					
Profit before income tax expense					
Income tax expense					
Profit for the year					
Total assets	56,451	74,088	485,998	347,994	15,515
Segment liabilities	5,115	6,163	100,361	86,814	11,981
Unallocated liabilities	-	-	-	-	-
Total liabilities	5,115	6,163	100,361	86,814	11,981
Investment in associates	26,239	2,753	-	-	-
Acquisitions of plant and equipment	1,474	639	110	105	96
Depreciation expense	(194)	(157)	(322)	(269)	(24)
Other non-cash expenses	-	-	-	-	-
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 2008

5 REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Revenue from sale of land	107,477	86,720	15,128	14,974
Project management, marketing and selling management fees	19,455	18,753	28,239	26,136
Manager's performance fees	11,170	8,050	11,170	8,050
Revenue from other trading activities				
- Joint Venture	19,841	19,072	-	-
- Bookkeeping fees	882	686	882	687
- Underwriting and capital raising fees	2,598	8,311	3,329	8,311
	161,423	141,592	58,748	58,158
Other revenue				
- Dividends	131	252	131	5,252
- Interest	3,396	3,262	1,926	2,460
- Other	3,007	388	2,451	176
	6,534	3,902	4,508	7,888
	167,957	145,494	63,256	66,046

6 EXPENSES

Profit before income tax includes the following specific expenses:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cost of inventories				
Change in inventories	105,887	141,591	(434)	559
Purchases and other inventory costs	(168,821)	(193,068)	(4,635)	(5,873)
Cost of inventories	(62,934)	(51,477)	(5,069)	(5,314)
Depreciation	540	437	368	288
Finance costs				
Interest and finance charges	25,558	17,269	1,307	141
Amount capitalised	(23,271)	(15,520)	-	-
Finance costs expense	2,287	1,749	1,307	141
Rental expense - relating to operating leases included in office costs:				
Minimum lease payments	723	549	723	549
Write down of inventory to net realisable value	1,030	-	-	-
Write off of development expenditure	614	306	614	306

7 INCOMETAX

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Income tax expense					
Current tax		17,052	15,765	9,974	10,784
Deferred tax		4,242	3,883	575	(104)
Adjustments for current tax of prior periods		851	14	851	14
		22,145	19,662	11,400	10,694
Deferred income tax expense included in income tax expense comprises:					
- (Increase)/decrease in deferred tax assets	16	(237)	298	109	(48)
- Increase/(decrease) in deferred tax liabilities	21	4,479	3,585	466	(56)
		4,242	3,883	575	(104)
Numerical reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		70,057	65,180	39,217	43,126
Tax at Australian tax rate of 30% (2007: 30%)		21,017	19,554	11,765	12,938
Tax effect of amounts which are not deductible (taxable) in calculating taxable income					
- Entertainment		24	18	24	18
- Employee benefits		50	131	50	131
- Tax consolidation distribution		-	-	(1,253)	(851)
- Sundry items		18	(5)	19	4
- Gain on exiting tax group		241	-	-	-
- Franking rebate		(56)	(50)	(56)	(1,560)
- Under provision in prior years		851	14	851	14
Income tax expense		22,145	19,662	11,400	10,694

7 INCOMETAX (CONTINUED)

Tax consolidation legislation

The Parent Entity 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 Parent Entity for any current tax payable assumed and are not compensated by the Parent Entity for any unused tax losses or unused tax credits that are transferred to the Parent Entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables or payables (Note 29).

(a) Other income related to tax consolidation legislation

The Parent Entity has recognised a tax consolidation distribution from wholly owned tax consolidated entities of \$4,176,601 (2007: \$2,837,974). 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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	50,277	68,646	6,253	48,064

The cash at bank and on hand are bearing floating interest rates between 6.45% and 7.20% (2007: 5.25% and 6.20%).

Credit risk and interest rate risk

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

9 CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	12,012	9,605	7,532	3,306
Accrued income	20,340	18,770	18,605	16,856
Tax related amounts receivable from wholly owned entities	-	-	4,529	1,786
Prepayments	469	359	413	257
Other debtors	3,380	2,133	138	151
	36,201	30,867	31,217	22,356

(a) Impaired trade receivables

Trade receivables are non-interest bearing and generally have 30-60 day terms. There were no impaired trade receivables and hence no provision for impaired trade receivables at the end of the year for either the Group or Parent Entity (2007: \$Nil).

(b) Accrued income

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

(c) Other debtors

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

(d) Fair value and credit risk

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

10 INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current				
Cost of acquisition	28,837	25,182	34	172
Capitalised development costs	61,241	15,763	660	701
Capitalised finance costs	3,672	4,721	-	-
Total current inventories	93,750	45,666	694	873
Non current				
Cost of acquisition	288,831	248,845	5,962	5,741
Capitalised development costs	32,678	28,296	1,203	1,509
Capitalised finance costs	31,785	18,350	782	952
Total non-current inventories	353,294	295,491	7,947	8,202
Carrying amount of inventories	447,044	341,157	8,641	9,075

Inventory expense

Write-down of inventories to net realisable value recognised as an expense during the year ended 30 June 2008 amounted to \$1,030,000 (2007: \$Nil). The expense has been included in the cost of inventories in the income statements.

Valuations

The valuations of land owned by the consolidated entity for the year ended 30 June 2008 is \$626,854,049 (2007: \$477,636,603) exclusive of GST. The valuations were determined by independent valuers. Direct comparison approach has been utilised as the primary method of valuation, with a discounted cash flow analysis utilised as a check method.

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Peet Caboolture Syndicate Ltd	1,453	1,502	-	-
Peet Tri State Syndicate Ltd	2,835	-	-	-
Peet Alkimos Pty Ltd	20,407	-	-	-
Other	1,544	1,251	-	-
	26,239	2,753	-	-

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the Parent Entity (Note 33).

12 NON-CURRENT ASSETS - AVAILABLE FOR SALE FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Peet Income Property Fund	157	1	157	1

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

Included in available for sale investments in both the Group and the Parent Entity are units in the unlisted trust Peet Income Property Fund at a fair value of \$157,000 (2007: \$1,000). The Parent Entity owns 128,424 units (2007: 1,000 units) of the issued capital of Peet Income Property Fund. Peet Limited is the Responsible Entity for Peet Income Property Fund (refer to note 30).

13 DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Non-current assets				
Interest rate swap contracts - cash flow hedges	1,418	668	1,418	668
Non-current liabilities				
Interest rate swap contracts - cash flow hedges	154	-	154	-

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

Interest rate swap contracts - cash flow hedges

Bank loans of the Group currently bear a weighted average variable interest rate before hedges of 7.42% (2007: 7.08%). It is Group policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently cover approximately 36.5% (2007: 25.4%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 6.39% and 7.99% (2007: 6.39% and 6.43%) and the variable rates are between 6.41% and 8.30% (2007: 6.41% and 6.43%).

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June 2008, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
1 - 2 years	35,000	-	35,000	-
2 - 3 years	50,000	35,000	50,000	35,000
3 - 4 years	15,000	-	15,000	-
4 - 5 years	-	15,000	-	15,000
	100,000	50,000	100,000	50,000

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedges interest expense is recognised. The ineffective portion is recognised in the income statement immediately.

At 30 June 2008, there has been no hedge ineffectiveness recognised in the profit and loss on these hedges (2007:Nil).

Credit risk and interest rate risk

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

14 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investments in associates	33	-	-	27,194	2,752
Investments in subsidiaries	34, 29(e)	-	-	61,015	45,282
		-	-	88,209	48,034

15 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cost	5,009	3,329	4,253	2,713
Accumulated depreciation	(1,774)	(1,234)	(1,332)	(964)
Total plant and equipment	3,235	2,095	2,921	1,749

Movement in plant and equipment:

Furniture, fittings and equipment:

Cost	3,329	2,628	2,713	2,074
Accumulated depreciation	(1,234)	(840)	(964)	(676)
Carrying amount at 1 July	2,095	1,788	1,749	1,398
Additions	1,680	744	1,540	639
Depreciation	(540)	(437)	(368)	(288)
Carrying amount at 30 June	3,235	2,095	2,921	1,749

16 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Accrued expenses and provisions	614	549	51	46
Rebates provision	1,294	1,052	279	269
Staff provisions	232	200	231	200
Inventory	155	102	253	253
Other	16	44	16	44
Capital raising costs	381	508	381	508
	2,692	2,455	1,211	1,320
Set-off against deferred tax liabilities of Parent Entity pursuant to set-off provisions (note 21)	(2,692)	(2,455)	(1,211)	(1,320)
	-	-	-	-
Movements:				
Opening balance at 1 July	2,455	2,118	1,320	637
Credited/ (charged) to the income statement (note 7)	237	(298)	(109)	48
Amounts recognised directly in equity	-	635	-	635
Closing balance at 30 June	2,692	2,455	1,211	1,320
Deferred tax assets to be recovered within 12 months	1,017	895	551	543
Deferred tax assets to be recovered after more than 12 months	1,675	1,560	660	777
	2,692	2,455	1,211	1,320

17 PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current				
Trade payables	6,114	7,862	842	1,765
Other payables	21,517	14,712	3,814	4,070
	27,631	22,574	4,656	5,835
Non-current				
Owing to controlled entities ⁽ⁱ⁾	-	-	2	2
	-	-	2	2

(i) Terms and conditions on amounts owing to controlled entities are set out in Note 29 - Related Parties.

18 LAND VENDOR LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Land vendor liabilities	40,228	28,538	-	-
Non-current				
Land vendor liabilities	49,141	38,502	-	-
Total land vendor liabilities	89,369	67,040	-	-

The deferred payment terms for land vendor liabilities are disclosed in accordance with Note 1(q). The amount owing to land vendors is secured over the properties being purchased until the balance of the purchase monies has been paid or settlement of the acquisition has occurred.

19 BORROWINGS

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Bank loans - secured	41,700	14,110	20,700	-
Non-current				
Bank loans - secured	232,421	182,715	-	-
Total borrowings	274,121	196,825	20,700	-

19 BORROWINGS (CONTINUED)

a) Assets pledged as security

The carrying amounts of assets pledged as security for secured current and non-current bank loans are:

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
First mortgage					
Inventories	10	93,750	45,666	694	873
Floating charge					
Cash and cash equivalents	8	50,277	68,646	6,253	48,064
Receivables	9	36,201	30,867	31,217	22,356
		86,478	99,513	37,470	70,420
Total current assets pledged as security		180,228	145,179	38,164	71,293
Non-current assets					
First mortgage					
Inventories	10	353,294	295,491	7,947	8,202
Floating charge					
Available for sale financial assets	12	157	1	157	1
Other financial assets	14	-	-	88,209	48,034
Plant and equipment	15	3,235	2,095	2,921	1,749
		3,392	2,096	91,287	49,784
Total non-current assets pledged as security		356,686	297,587	99,234	57,986
Total assets pledged as security		536,914	442,766	137,398	129,279

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

Cash and cash equivalents are pledged against the bank overdraft on an ongoing floating basis for the terms of the bank overdraft's maturity.

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

19 BORROWINGS (CONTINUED)

b) Financing arrangements

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

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total facilities				
Bank loan facilities	290,600	225,801	290,600	225,801
Bank guarantees	39,000	39,199	34,000	34,199
Credit cards	75	75	75	75
	329,675	265,075	324,675	260,075
Used at balance date				
Bank loan facilities	274,121	196,825	274,121	196,825
Bank guarantees	33,022	39,199	33,022	34,169
Credit cards	-	-	-	-
	307,143	236,024	307,143	230,994
Unused at balance date				
Bank loan facilities	16,479	28,976	16,479	28,976
Bank guarantees	5,978	-	978	30
Credit cards	75	75	75	75
	22,532	29,051	17,532	29,081

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

FACILITY NO.	TYPE OF FACILITY	LIMIT \$'000	MATURITY DATE
Any group member			
1	Revolving Multi-Option Facility	222,000	31 December 2010
1A	Bank Guarantee	34,000	31 December 2008
2	Revolving Multi-Option Facility	23,600	31 December 2010
3	Revolving Multi-Option Facility	24,000	31 December 2008
4	Business Credit Card Facility	75	31 December 2008
6	Reserve Funding	21,000	31 December 2008
Peet Innisfail Syndicate Limited			
5	Bank Guarantee Facility	5,000	31 December 2010

c) Liquidity and interest rate risk

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

d) Fair value

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

20 PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current				
Rebates (a)	6,139	5,514	929	897
Employee entitlements - long service leave (b)	242	252	242	252
	6,381	5,766	1,171	1,149
Non-current				
Employee entitlements - long service leave (b)	63	75	63	75

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	5,514	3,575	897	599
Additional provisions recognised in the year	2,519	4,457	533	495
Paid during the year	(1,894)	(2,518)	(501)	(197)
Carrying amount at 30 June	6,139	5,514	929	897

a) Rebates

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

b) Long service leave

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

21 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Borrowing and interest costs	11,416	7,089	235	285
Accrued income	6,102	5,993	5,581	5,055
Depreciation	246	207	231	244
Prepayments	58	58	-	-
Cash flow hedges	330	200	330	200
	18,152	13,547	6,377	5,784
Set-off against deferred tax assets of Parent Entity pursuant to set-off provisions (note 16)	(2,692)	(2,455)	(1,211)	(1,320)
Net deferred tax liabilities	15,460	11,092	5,166	4,464
Movements (pre set-off):				
Opening balance at 1 July	13,546	9,762	5,784	5,640
Charged / (credited) to the income statement (note 7)	4,479	3,585	466	(56)
Charged directly to equity	127	200	127	200
Closing balance at 30 June	18,152	13,547	6,377	5,784
Deferred tax liabilities to be settled within 12 months	6,160	6,051	5,581	5,054
Deferred tax liabilities to be settled after more than 12 months	11,992	7,496	796	730
	18,152	13,547	6,377	5,784

22 CONTRIBUTED EQUITY

a) Share capital

	CONSOLIDATED AND PARENT ENTITY			
	2008 Shares	2007 Shares	2008 \$'000	2007 \$'000
Paid up capital				
Ordinary shares - fully paid	222,138,454	220,498,454	85,914	83,946

Movements in ordinary share capital

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	\$'000
1 July 2006	Opening balance	200,023,324		1,479
20 November 2006	Share placement	20,000,000	4.10	82,000
22 December 2006	Share purchase plan	475,130	4.10	1,948
	Less: Transaction costs arising on share issue			(2,116)
	Deferred tax credit recognised directly in equity			635
30 June 2007	Balance	220,498,454		83,946
7 September 2007	Exercise of employee share options	1,640,000		1,968
30 June 2008	Balance	222,138,454		85,914

b) Ordinary shares

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

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

c) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Parent Entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net bank debt divided by total tangible assets adjusted for market value net of cash and cash equivalents less land vendor liabilities.

During 2008, the Group's strategy, which was unchanged from 2007, was to target a gearing ratio of between 30% and 40%. At 30 June 2008, the gearing ratio was 37.6% (2007: 29.8%).

23 RESERVES AND RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Reserves				
Cash flow hedges reserve	771	468	771	468
Share-based payments reserve	1,351	1,185	1,351	1,185
	2,122	1,653	2,122	1,653

Movements:

Cash flow hedges reserve

Balance 1 July	468	-	468	-
Revaluation - gross	430	668	430	668
Deferred tax	(127)	(200)	(127)	(200)
Balance 30 June	771	468	771	468

Share-based payments reserve

Balance 1 July	1,185	749	1,185	749
Option expense	166	436	166	436
Balance 30 June	1,351	1,185	1,351	1,185

Cash flow hedges reserve

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

Share-based payments reserve

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Retained profits				
Retained profits at the beginning of the financial year	51,093	44,422	26,700	33,115
Profit for the year	47,912	45,518	27,817	32,432
Dividends provided for or paid (note 24)	(43,317)	(38,847)	(43,317)	(38,847)
Retained profits at the end of the financial year	55,688	51,093	11,200	26,700

24 DIVIDENDS

a) Dividends paid

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED/ UNFRANKED
2008				
Interim 2008 ordinary	9.0	19,992	18 April 2008	Franked
Final 2007 ordinary	10.5	23,325	1 October 2007	Franked
Total amount	19.5	43,317		
2007				
Interim 2007 ordinary	9.0	19,845	16 April 2007	Franked
Final 2006 ordinary	9.5	19,002	17 October 2006	Franked
Total amount	18.5	38,847		

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

b) Dividends not recognised at year end

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 2008 ordinary	10.75	23,880	16 October 2008	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 2008 and will be recognised in subsequent financial reports. The declaration and subsequent payment of this dividend has no income tax consequences.

c) Dividend reinvestment plan (DRP)

The Parent Entity 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.

d) Dividend franking account

	PARENT ENTITY	
	2008 \$'000	2007 \$'000
30% franking credits available to shareholders of Peet Limited for subsequent financial years	12,062	12,399

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 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 \$10,234,236 (2007: \$9,996,230). In accordance with the tax consolidation legislation, the Parent Entity as the head entity in the tax-consolidated group has assumed all franking credits from all entities within the tax-consolidated group.

25 REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	166,523	116,620	166,523	116,620
Non-PricewaterhouseCoopers audit firms	13,585	20,845	-	-
Total remuneration for audit services	180,108	137,465	166,523	116,620
Other assurance services				
PricewaterhouseCoopers Australian firm				
	3,440	9,700	3,440	9,700
Non-PricewaterhouseCoopers audit firms	7,725	-	7,725	-
Total remuneration for other assurance services	11,165	9,700	11,165	9,700
Total remuneration for assurance services	191,273	147,165	177,688	126,320
Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of Parent Entity income tax returns	97,141	100,111	97,141	100,111
Non-PricewaterhouseCoopers tax firms	23,505	-	23,505	-
Total remuneration for taxation services	120,646	100,111	120,646	100,111

26 CONTINGENCIES

Contingent liabilities

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Underwriting obligations outstanding:	24,197	17,665	24,197	17,665
- Financial bank guarantees	5,100	5,350	5,100	5,350
- Bank guarantees outstanding	33,023	34,982	33,023	34,982
- Guarantees for purchase contracts	-	-	105,523	98,455
	62,320	57,997	167,843	156,452

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.

27 COMMITMENTS

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

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Payable:				
- Not later than one year	744	633	744	633
- Later than one year but not later than five years	3,083	2,785	3,083	2,785
- Later than five years	832	1,414	832	1,414
	4,659	4,832	4,659	4,832

The consolidated entity leases premises at Level 7, 200 St Georges Terrace, Perth; Level 3, 492 St Kilda Road, Melbourne and Level 2, 167 Eagle Street, Brisbane under non-cancellable operating leases with commitments expiring from between two to eight years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

28 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of the Parent Entity during the financial year.

Non-executive Chairman

AW Lennon

Non-executive Directors

WD Hemsley (from 6 August 2007)

SF Higgs

GW Sinclair

Executive Directors

WD Hemsley (retired on 5 August 2007)

BD Gore (appointed 6 August 2007)

AJ Lennon

Mr Hemsley retired as Managing Director and Chief Executive Officer on 5 August 2007 and remains on the Board of Directors in a non-executive capacity.

Mr Gore succeeded Mr Hemsley as Managing Director and Chief Executive Officer of Peet Limited effective 6 August 2007.

28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Other key management personnel

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

Name	Position
M Pisano	Chief Financial Officer (appointed 7 January 2008)
D Cooper	Chief Operating Officer (appointed 4 February 2008)
P Dumas	Head of Funds Management (appointed 4 February 2008)
N Hinchcliff	Operations Manager, WA
L McGill	General Manager, Residential and Commercial Built Form (resigned 31 May 2008)
P Lynch	Acquisitions Manager, WA
D Scafetta	Company Secretary
S Kenney	General Manager, Senior Living
D Mulder	Operations Manager, Vic (resigned 14 December 2007)

(c) Key management personnel compensation

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	3,090,401	3,062,298	3,090,401	3,062,298
Post employment benefits	275,510	272,106	275,510	272,106
Long-term and termination benefits	178,085	-	178,085	-
Share-based payments	382,939	136,592	382,939	136,592
	3,926,935	3,470,996	3,926,935	3,470,996

Detailed remuneration disclosures are provided in Section 14 of the remuneration Report within the Directors' Report.

28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to key management personnel

Option holdings

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

		Balance at the start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at the end of the year
Directors							
AW Lennon	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
WD Hemsley	2008	600,000	-	-	-	600,000	600,000
	2007	600,000	-	-	-	600,000	-
SF Higgs	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
GW Sinclair	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
BD Gore	2008	170,000	1,200,000	-	-	1,370,000	-
	2007	170,000	-	-	-	170,000	-
AJ Lennon	2008	600,000	-	-	-	600,000	600,000
	2007	600,000	-	-	-	600,000	-
Other key management personnel							
N Hinchcliff	2008	100,000	-	(100,000)	-	-	-
	2007	100,000	-	-	-	100,000	-
S Kenney	2008	70,000	-	-	-	70,000	-
	2007	70,000	-	-	-	70,000	-
D Scafetta	2008	200,000	-	(200,000)	-	-	-
	2007	200,000	-	-	-	200,000	-
P Lynch	2008	120,000	-	(120,000)	-	-	-
	2007	120,000	-	-	-	120,000	-
M Pisano	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
D Cooper	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
P Dumas	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
L McGill	2008	130,000	-	(100,000)	-	30,000	-
	2007	130,000	-	-	-	130,000	-
D Mulder	2008	130,000	-	(100,000)	(30,000)	-	-
	2007	130,000	-	-	-	130,000	-

During the financial year, 620,000 options were exercised by directors or other key management personnel.

28 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 Group, including their personally related entities, are set out below:

		Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of the Parent Entity					
AW Lennon ¹	2008	70,010,448	-	-	70,010,448
	2007	70,010,448	-	-	70,010,448
WD Hemsley	2008	20,063,600	-	-	20,063,600
	2007	20,063,600	-	-	20,063,600
SF Higgs	2008	800,000	-	-	800,000
	2007	800,000	-	-	800,000
GW Sinclair	2008	52,000	-	10,000	62,000
	2007	50,000	-	2,000	52,000
BD Gore	2008	-	-	-	-
	2007	-	-	-	-
AJ Lennon ¹	2008	202,701	-	593	203,294
	2007	202,208	-	493	202,701
Other key management personnel of the Group					
N Hinchcliff	2008	56,500	100,000	3,853	160,353
	2007	53,294	-	3,206	56,500
S Kenney	2008	85,210	-	6,308	91,518
	2007	64,294	-	20,916	85,210
D Scafetta	2008	84,000	200,000	-	284,000
	2007	84,000	-	-	84,000
P Lynch	2008	-	120,000	-	120,000
	2007	-	-	-	-
M Pisano	2008	-	-	-	-
	2007	-	-	-	-
D Cooper	2008	-	-	4,000	4,000
	2007	-	-	-	-
P Dumas	2008	-	-	-	-
	2007	-	-	-	-
L McGill	2008	10,509	100,000	(13,843)	96,666
	2007	9,547	-	962	10,509
D Mulder	2008	15,833	100,000	(12,382)	103,451
	2007	15,833	-	-	15,833

¹ 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.

29 RELATED PARTIES

(a) Parent Entity

Peet Limited is the ultimate Australian parent entity.

(b) Controlled entities

Interests in controlled entities are set out in Note 34. Interests held in associates are set out in Note 33.

(c) Key management personnel

Details relating to the key management personnel, including remuneration paid, are included in Note 28.

(d) Transactions with related parties

Transactions with subsidiaries

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

During the year ended 30 June 2008 the Company derived the following fees from its subsidiaries:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Project management, marketing and selling management fees	-	-	8,890,316	6,184,101
Dividend revenue	-	-	-	5,000,000
	-	-	8,890,316	11,184,101

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

Tax consolidation regime

The Company received \$8,512,063 (2007: \$5,967,215) 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 for the year ended 30 June 2008 of \$4,176,601 (2007: \$2,837,974). The tax consolidation distribution arose as a result of a transfer of tax losses to the head entity for no compensation and is included as other income.

Transactions with associates

During the year ended 30 June 2008, the Company derived the following fees from associates:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Project management, marketing and selling management fees	19,455,204	18,752,587	19,455,204	18,752,587
Manager's performance fees	11,169,527	8,049,754	11,169,527	8,049,754
Capital raising co-ordination, underwriting and asset identification fees	2,597,555	8,311,094	3,329,311	8,311,094
Bookkeeping and secretarial fees	882,848	686,613	882,848	686,613
Other consultancy fees	55,921	56,514	55,921	56,514
	34,161,055	35,856,562	34,892,811	35,856,562

Other transactions with key management personnel

Peet Alkimos Pty Ltd, as an associate of the consolidated Group, paid an amount of \$250,000 to Mr BD Gore in connection with the establishment of the wholesale syndicate and acquisition of the Alkimos land.

29 RELATED PARTIES (CONTINUED)

(e) Outstanding balances

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

	NOTES	PARENT ENTITY	
		2008	2007
		\$	\$
Payable to subsidiaries			
Non-current	17	2,002	2,002
Receivable from subsidiaries			
Current: Tax funding agreement	9	4,529,713	1,786,680
Non-Current: Loans to subsidiaries ⁽ⁱ⁾	14	61,015,776	45,282,509
		65,545,489	47,069,189

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

	PARENT ENTITY	
	2008	2007
	\$	\$
Movements in loans to subsidiaries		
Beginning of the year	45,282,509	5,471,422
Loans advanced	48,310,670	97,205,084
Loan repayments received	(32,577,403)	(57,393,997)
End of year	61,015,776	45,282,509

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

	PARENT ENTITY	
	2008	2007
	\$	\$
Trade and other receivables	24,183,537	19,718,199
Loans to associates	331	-
Total amount owing by associates	24,183,868	19,718,199

Movements in loans to associates

Beginning of the year	-	1,233,797
Loans advanced to associates	64,139,651	4,584,071
Loan repayments from associates	(64,139,320)	(5,817,868)
End of year	331	-

29 RELATED PARTIES (CONTINUED)

(e) Outstanding balances (continued)

Outstanding balances

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

Allowance for impairment loss on trade receivables

For the year ended 30 June 2008, the Group has not made any allowance for impairment loss relating to amounts owed by related parties as the payment history has been excellent (2007:\$Nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for impairment loss.

30 TRUSTS

The Parent Entity is trustee and/or Responsible Entity for the following trusts:

	Right of Indemnity \$'000	2008 Total Liabilities \$'000	Deficiency \$'000	Right of Indemnity \$'000	2007 Total Liabilities \$'000	Deficiency \$'000
Burns Beach Property Trust	23,785	23,785	-	30,924	30,924	-
Hawkstone Unit Trust	1,598	1,598	-	1,459	1,459	-
Yanchep Ocean Front Unit Trust	280	280	-	645	645	-
Yatala Unit Trust	9,793	9,793	-	21,668	21,668	-
Peet Income Property Fund	24,564	24,564	-	18,262	18,262	-
	60,020	60,020	-	72,958	72,958	-

31 EVENTS SUBSEQUENT TO REPORTING DATE

In early September 2008, the Brookland Greens estate in Cranbourne, Victoria, which is managed and marketed by Peet Limited on behalf of the Peet & Co Casey Land Syndicate Limited, was impacted by serious management issues relating to a disused landfill site neighbouring the estate. The landfill site is owned by, and is the responsibility of, the City of Casey.

As a result of these issues involving landfill gas migration and methane gas emissions from the Council site, Peet Limited suspended remaining sales activity at the estate. At the time of reporting, the matter was the subject of an inquiry into the actions of the relevant government authorities being conducted by the Victorian Ombudsman and a separate, wider inquiry into landfill sites being undertaken by the Environmental Protection Authority (EPA) Victoria.

31 EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

All development at Brookland Greens estate has been undertaken in accordance with the appropriate planning and development approvals processes and Peet is actively assisting the EPA and cooperating fully with the Ombudsman's inquiry.

Peet Limited receives project management, marketing and selling management fees, and manager's performance fees, in accordance with the project management agreement with Peet & Co Casey Land Syndicate Limited. This incident is not expected to result in a material financial impact on Peet's overall project management, marketing and selling management fees or manager's performance fees.

32 CASH FLOW INFORMATION

(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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and on hand	50,277	68,646	6,253	48,064

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

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit for the year	47,912	45,518	27,817	32,432
Add/(deduct) non-cash items:				
Depreciation	540	437	368	288
Employee share-based payments	166	436	166	436
Equity accounting for investments in associates	225	(107)	-	-
Change in operating assets and liabilities during the financial year:				
Increase in receivables	(5,614)	(8,479)	(9,153)	(3,309)
(Increase)/decrease in inventories	(107,248)	(138,078)	434	559
Increase in current tax liabilities	1,545	2,216	1,545	2,911
Increase/(decrease) in trade creditors	28,747	35,303	(1,179)	2,035
Increase in provisions	603	2,544	10	404
Increase/(decrease) in deferred tax liabilities	4,368	3,719	702	(1,961)
Net cash (outflow)/inflow from operating activities	(28,756)	(56,491)	20,710	33,795

33 INVESTMENTS IN ASSOCIATES

NAME OF ASSOCIATE	OWNERSHIP INTEREST		CONSOLIDATED		PARENT ENTITY	
	2008 %	2007 %	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Peet & Co Casey Land Syndicate Ltd	0.54	0.54	20	34	10	10
Peet & Co Point Cook Land Syndicate Ltd	0.21	0.21	3	4	3	3
Peet Adios Syndicate Ltd	0.60	0.60	-	3	1	1
Peet Alkimos Pty Ltd	13.35	100.00	20,407	-	20,700	-
Peet Baldivis Syndicate Ltd	0.39	0.39	5	3	2	2
Peet Bayonet Head Syndicate Ltd	0.56	0.56	2	2	6	6
Peet Beachton Syndicate Ltd	0.33	0.33	21	-	23	25
Peet Botanic Village Syndicate Ltd	0.69	0.69	118	118	125	125
Peet Byford Syndicate Ltd	0.15	0.15	12	12	13	13
Peet Caboolture Syndicate Ltd	20.00	20.00	1,453	1,502	1,600	1,600
Peet Cardinia Lakes Syndicate Ltd	0.21	0.21	42	42	42	42
Peet Cranbourne Syndicate Ltd	1.58	1.58	297	202	311	218
Peet Cranbourne Central Syndicate Ltd	0.05	0.05	3	1	4	2
Peet Forrestdale Syndicate Ltd	0.70	0.70	17	17	23	23
Peet Mandurah Syndicate Ltd	1.25	1.25	123	109	80	80
Peet Mundijong Syndicate Ltd	0.22	0.22	50	50	52	52
Peet Oakford Land Syndicate Ltd	0.37	0.37	7	7	7	7
Peet Tarneit Gardens Syndicate Ltd	1.29	1.29	159	160	126	126
Peet Tarneit Rise Syndicate Ltd	0.33	0.33	63	54	55	55
Peet Tri State Syndicate Ltd	24.08	100.00	2,835	-	3,612	-
Peet Warner Lakes Syndicate Ltd	1.56	1.56	472	340	270	270
Peet Windsor Park Syndicate Ltd	0.07	0.07	9	9	8	8
Other			121	84	121	84
			26,239	2,753	27,194	2,752

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

(a) Movements in carrying amounts of investments in associates

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Carrying amount at the beginning of the financial year	2,753	2,504
Acquisitions	24,749	301
Disposals	(1,038)	(159)
Share of (loss)/profit after income tax (b)	(225)	107
Carrying amount at the end of the financial year	26,239	2,753

(b) Share of associates (loss)/profit

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Share of associates (loss)/profit (c)	(225)	107

33 INVESTMENTS IN ASSOCIATES (CONTINUED)

(c) Summarised financial information of associates

Name of Associates	GROUP'S SHARE OF: AS AT 30 JUNE 2008			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(Loss) \$'000
Peet & Co Casey Land Syndicate Ltd	37	17	35	(14)
Peet & Co Point Cook Land Syndicate Ltd	4	-	-	(1)
Peet Adios Syndicate Ltd	-	-	-	(3)
Peet Alkimos Pty Ltd	43,912	23,516	48	(293)
Peet Bayonet Head Syndicate Ltd	21	19	-	1
Peet Baldivis Syndicate Ltd	18	12	11	3
Peet Beachton Syndicate Ltd	105	59	-	27
Peet Botanic Village Syndicate Ltd	155	37	-	(1)
Peet Byford Syndicate Ltd	12	-	-	-
Peet Caboolture Syndicate Ltd	6,463	5,010	1	(49)
Peet Cardinia Lakes Syndicate Ltd	60	19	13	(1)
Peet Cranbourne Syndicate Ltd	458	161	1	1
Peet Cranbourne Central Syndicate Ltd	14	11	-	-
Peet Forrestdale Syndicate Ltd	34	17	-	(1)
Peet Mandurah Syndicate Ltd	472	350	279	13
Peet Mundijong Syndicate Ltd	50	-	-	-
Peet Oakford Land Syndicate Ltd	10	3	-	-
Peet Tarneit Gardens Syndicate Ltd	270	114	327	(2)
Peet Tarneit Rise Syndicate Ltd	79	16	57	8
Peet Tri State Syndicate Ltd	13,947	10,824	40	(44)
Peet Warner Lakes Syndicate Ltd	778	306	734	132
Peet Windsor Park Syndicate Ltd	28	18	26	(1)
	66,927	40,509	1,572	(225)

33 INVESTMENTS IN ASSOCIATES (CONTINUED)

(c) Summarised financial information of associates (continued)

Name of Associates	Assets \$'000	Liabilities \$'000	GROUP'S SHARE OF: AS AT 30 JUNE 2007	
			Revenues \$'000	Profit/(Loss) \$'000
Peet & Co Casey Land Syndicate Ltd	47	12	85	14
Peet & Co Point Cook Land Syndicate Ltd	4	-	10	(1)
Peet Adios Syndicate Ltd	4	1	23	(1)
Peet Bayonet Head Syndicate Ltd	18	16	-	(1)
Peet Baldivis Syndicate Ltd	15	12	38	(12)
Peet Beachton Syndicate Ltd	84	51	-	(29)
Peet Botanic Village Syndicate Ltd	163	44	1	(7)
Peet Byford Syndicate Ltd	12	-	-	(1)
Peet Caboolture Syndicate Ltd	5,773	4,271	1	153
Peet Cardinia Lakes Syndicate Ltd	47	5	22	1
Peet Cranbourne Syndicate Ltd	425	223	-	1
Peet Cranbourne Central Syndicate Ltd	14	13	-	(1)
Peet Forrestdale Syndicate Ltd	24	6	-	1
Peet Mandurah Syndicate Ltd	389	229	322	(22)
Peet Mundijong Syndicate Ltd	50	-	1	(2)
Peet Oakford Land Syndicate Ltd	7	-	-	-
Peet Tarneit Gardens Syndicate Ltd	251	93	272	(37)
Peet Tarneit Rise Syndicate Ltd	85	31	15	3
Peet Warner Lakes Syndicate Ltd	483	142	496	49
Peet Windsor Park Syndicate Ltd	18	8	14	(1)
	7,913	5,157	1,300	107

34 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	
			2008 %	2007 %
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 Pty Limited	WA	Ordinary	100	100
Peet Innisfail Pty Limited	WA	Ordinary	100	100
Peet Rockbank Pty Limited	WA	Ordinary	100	100
Peet Point Cook No 2 Pty Limited	WA	Ordinary	100	100
Peet Craigieburn Pty Limited	WA	Ordinary	100	100
Peet Greenvale No 2 Pty Limited	WA	Ordinary	100	100
Peet Southern JV Pty Limited	WA	Ordinary	100	100
Peet Grand 56 Pty Limited	WA	Ordinary	100	100
Peet Point Cook South Syndicate Limited	WA	Ordinary	100	100
Peet Brigadoon Pty Limited	WA	Ordinary	100	100
Peet No 68 Pty Limited	WA	Ordinary	100	100
Peet Ashton Heights Pty Limited	WA	Ordinary	100	100
Peet Hammersmith Pty Limited	WA	Ordinary	100	100
Peet No 72 Avoca Pty Limited	WA	Ordinary	100	100
Peet Queens Park JV Pty Limited	WA	Ordinary	100	100
Peet No 73 Pty Limited	WA	Ordinary	100	100
Peet No 74 Pty Limited	WA	Ordinary	100	100
Peet Baldivis Heights Pty Limited	WA	Ordinary	100	100
Peet Abrehart Rd Pty Limited	WA	Ordinary	100	100
Peet No 77 Pty Limited	WA	Ordinary	100	100
Secure Living Pty Limited	WA	Ordinary	100	100
Peet Truganina No 1 Pty Limited	WA	Ordinary	100	100
Peet No 81 Pty Limited	WA	Ordinary	100	100
Peet No 82 Pty Limited	WA	Ordinary	100	100
Peet No 85 Pty Limited	WA	Ordinary	100	100
Peet No 87 Pty Limited	WA	Ordinary	100	100
Peet No 88 Pty Limited	WA	Ordinary	100	100
Peet Skye Pty Limited	WA	Ordinary	100	100
Peet No 90 Pty Limited	WA	Ordinary	100	100
Peet No 91 Pty Limited	WA	Ordinary	100	100
Peet No 92 Pty Limited	WA	Ordinary	100	100
Peet Joint Venture Pty Limited	WA	Ordinary	100	100
Peet Gippsland Hwy Pty Limited	WA	Ordinary	100	100
Peet No 95 Pty Limited	WA	Ordinary	100	100
Peet Thornlands Pty Limited	WA	Ordinary	100	100
Peet No 98 Pty Limited	WA	Ordinary	100	100

34 SUBSIDIARIES (CONTINUED)

	Place of Incorporation	Class of Share	Holding	
			2008 %	2007 %
Peet No 99 Pty Limited	WA	Ordinary	100	100
Peet Cranbourne (Nelson St) Pty Limited	WA	Ordinary	100	100
Peet Buderim Pty Limited	WA	Ordinary	100	100
Peet No 102 Pty Limited	WA	Ordinary	100	100
Peet Cranbourne (51a Craig Rd) Pty Limited	WA	Ordinary	100	100
Peet No 105 Pty Limited	WA	Ordinary	100	100
Peet Tri State Syndicate Limited ⁴	WA	Ordinary	24.08	100
Peet No 107 Pty Limited	WA	Ordinary	100	100
Peet No 108 Pty Limited	WA	Ordinary	100	100
Peet Alkimos Pty Limited ⁴	WA	Ordinary	13.35	100
Peet No 110 Pty Limited	WA	Ordinary	100	100
Peet No 111 Pty Limited	WA	Ordinary	100	100
Peet No 112 Pty Limited	WA	Ordinary	100	100
Peet No 113 Pty Limited	WA	Ordinary	100	100
Peet No 114 Pty Limited	WA	Ordinary	100	100
Peet No 115 Pty Limited	WA	Ordinary	100	100
Peet Perth Beachfront Land Syndicate Limited	WA	Ordinary	100	100
Peet No 117 Pty Limited	WA	Ordinary	100	100
Peet No 118 Pty Limited	WA	Ordinary	100	100
Peet No 119 Pty Limited	WA	Ordinary	100	100
Peet No 120 Pty Limited	WA	Ordinary	100	100
Peet No 121 Pty Limited	WA	Ordinary	100	100
Peet No 122 Pty Limited	WA	Ordinary	100	100
Peet No 123 Pty Limited	WA	Ordinary	100	100
Secure Living Queensland Pty Limited	WA	Ordinary	100	100
Peet No 124 Pty Limited ²	WA	Ordinary	100	-
Peet No 125 Pty Limited ²	WA	Ordinary	100	-
Peet No 126 Pty Limited ²	WA	Ordinary	100	-
Peet No 127 Pty Limited ²	WA	Ordinary	100	-
Peet No 128 Pty Limited ²	WA	Ordinary	100	-
Peet No 129 Pty Limited ²	WA	Ordinary	100	-
Peet No 130 Pty Limited ³	WA	Ordinary	100	-
Peet No 131 Pty Limited ³	WA	Ordinary	100	-
Peet Communities (WA) Pty Limited ³	WA	Ordinary	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 Entities registered on 9 July 2007

3 Entities registered on 23 July 2007

4 Interest in the controlled entities disposed during the year

35 INTERESTS IN JOINTLY CONTROLLED OPERATIONS

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

	CONSOLIDATED	
	2008	2007
	\$'000	\$'000
The Village at Wellard		
Total assets	30,632	22,307
Total liabilities	(24,724)	(21,126)
Net assets	5,908	1,181
The Quattro Queens Park		
Total assets	10,076	3,710
Total liabilities	(9,691)	(3,406)
Net assets	385	304

(b) Details of aggregate share of revenue, expenses and results of jointly controlled operations:

	CONSOLIDATED	
	2008	2007
	\$'000	\$'000
The Village at Wellard		
Revenue	19,987	17,741
Expenses	(15,259)	(16,383)
Profit before income tax	4,728	1,358
Income tax expense	(1,782)	(407)
Net profit	2,946	951
The Quattro Queens Park		
Revenue	81	207
Expenses	(1)	(12)
Profit before income tax	80	195
Income tax expense	(24)	(59)
Net profit	56	136

36 EARNINGS PER SHARE

(a) Earnings per share

	CONSOLIDATED	
	2008	2007
	Cents	Cents
Basic earnings per share	21.6	21.4
Diluted earnings per share	21.3	21.1

(b) Reconciliation of earnings used in calculating earnings per share

	CONSOLIDATED	
	2008	2007
	\$'000	\$'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Parent Entity used in calculating basic and diluted earnings per share	47,912	45,518

(c) Weighted average number of shares used in the denominator

	CONSOLIDATED	
	2008	2007
	\$	\$
Weighted average number of ordinary shares used as a denominator in the calculation of earnings per share	221,897,662	212,491,132
Adjustments for calculation of diluted earnings per share:		
Options	3,135,638	3,214,677
Weighted average number of ordinary shares used as a denominator in the calculation of fully diluted earnings per share	225,033,300	215,705,809

37 SHARE-BASED PAYMENTS

(a) Employee Share Option Plan (ESOP)

The establishment of the Peet Limited ESOP was approved by the Board and shareholders 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.

37 SHARE-BASED PAYMENTS (CONTINUED)

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

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 Parent Entity, or a resolution is passed or an order is made for winding up the Parent Entity.

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 expiry date of options, as determined by the Board.

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR No.	GRANTED DURING THE YEAR No.	EXERCISED DURING THE YEAR No.	LAPSED/ FORFEITED DURING THE YEAR No.	BALANCE AT END OF THE YEAR No.	EXERCISABLE AT END OF THE YEAR No.
Consolidated and Parent Entity - 2008								
18 Jun 04	18 Jun 09	\$1.20	1,200,000	-	-	-	1,200,000	1,200,000
28 July 04	28 July 09	\$1.20	1,794,000	-	(1,640,000)	-	154,000	154,000
17 Aug 05	17 Aug 10	\$1.71	20,000	-	-	-	20,000	-
1 Sept 05	1 Sept 10	\$2.04	380,000	-	-	(80,000)	300,000	-
8 Feb 06	8 Feb 11	\$2.81	100,000	-	-	-	100,000	-
2 May 06	2 May 11	\$3.09	20,000	-	-	-	20,000	-
24 May 06	24 May 11	\$3.42	50,000	-	-	-	50,000	-
30 Nov 07	30 Nov 13	\$4.10	-	1,200,000	-	-	1,200,000	-
Total			3,564,000	1,200,000	(1,640,000)	(80,000)	3,044,000	1,354,000
Weighted average exercise price			\$1.38	\$4.10	\$1.20	\$2.04	\$2.53	\$1.20

37 SHARE-BASED PAYMENTS (CONTINUED)

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR No.	GRANTED DURING THE YEAR No.	EXERCISED DURING THE YEAR No.	LAPSED/ FORFEITED DURING THE YEAR No.	BALANCE AT END OF THE YEAR No.	EXERCISABLE AT END OF THE YEAR No.
Consolidated and Parent Entity - 2007								
18 Jun 04	18 Jun 09	\$1.20	1,200,000	-	-	-	1,200,000	1,200,000
28 July 04	28 July 09	\$1.20	1,847,000	-	-	(53,000)	1,794,000	-
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 Sept 05	1 Sept 10	\$2.04	400,000	-	-	(20,000)	380,000	-
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			3,647,000	-	-	(83,000)	3,564,000	1,200,000
Weighted average exercise price			\$1.38	-	-	\$1.47	\$1.38	\$1.20

Options forfeited during the financial year amounted to 80,000 (2007: 83,000).

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.95 years (2007: 2.24 years).

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 inputs for assessing the fair value of the options granted under the ESOP 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
30 Nov 07	\$4.10	30 Nov 13	\$3.90	30%	6.46%	\$0.70

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.

37 SHARE-BASED PAYMENTS (CONTINUED)

(b) Expenses arising from share-based payment transactions

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

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Options issued under ESOP	166	436	166	436

(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 between \$80 and 50% of their pre-tax salary they wish to contribute each fortnight. In addition, participants may nominate a percentage (up to 100%) of any future bonus payments to be contributed towards the DESP.

All amounts contributed to the DESP are used to purchase Peet ordinary shares on the Australian Securities Exchange at market value.

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

During the year a total of 22,116 shares (2007: 28,535 shares) were purchased at a market value of \$70,228 (2007: \$112,742).

DIRECTORS' DECLARATION

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2008

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 58 to 117 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 2008 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.

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

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



Brendan Gore
Managing Director
Perth, Western Australia
30 September 2008

Independent auditor's report to the members of Peet Limited

Report on the financial report

We have audited the accompanying financial report of Peet Limited (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Peet Limited and the Peet Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

Independent auditor's report to the members of Peet Limited (cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Peet Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 40 to 52 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Peet Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


David J Smith
Partner

Perth
30 September 2008

SHAREHOLDER INFORMATION

PEET LIMITED AND ITS
CONTROLLED ENTITIES
30 JUNE 2008

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding

	NUMBER OF SHAREHOLDERS	% OF ISSUED SHARES
1 - 1,000	251	0.08%
1,001 - 5,000	1,625	2.43%
5,001 - 10,000	895	3.19%
10,001 - 100,000	798	8.95%
100,001 and over	70	85.35%
	3,639	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	31.49%
Mr IMC Palmer & Mrs HC Palmer	23,689,552	10.66%
MF Custodians Ltd	19,893,073	8.95%
Mr WD Hemsley	19,642,912	8.84%
Australian Foundation Investment Parent Entity Limited	8,386,561	3.77%
RBC Dexia Investor Services Australia Nominees Pty Ltd <Pipooled A/C>	5,926,776	2.67%
Citicorp Nominees Pty Ltd <CFS Future Leaders Fund>	5,770,421	2.60%
JP Morgan Nominees Aust Ltd	2,819,071	1.27%
UBS Wealth Management Aust Nominees Pty Ltd	2,653,192	1.19%
Citicorp Nominees Pty Ltd	2,525,864	1.14%
UBS Nominees Pty Ltd	2,279,042	1.03%
National Nominees Limited	1,988,485	0.89%
Mirrabooka Investments Ltd	1,775,000	0.80%
Cogent Nominees Pty Ltd <SMP Accounts>	1,574,196	0.71%
Amcil Ltd	1,550,000	0.70%
Argo Investments Limited	1,460,435	0.66%
Mr LJ Peet	1,450,000	0.65%
Djerriwarrh Investments Limited	1,272,000	0.57%
Citicorp Nominees Pty Ltd <CFSIL CFS WS Small Comp A/C>	1,238,430	0.56%
Jove Pty Ltd	826,210	0.37%
	176,721,220	79.52%

Substantial shareholders

NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
Scorpio Nominees Pty Ltd	70,000,000	31.49%
Mr IMC Palmer & Mrs HC Palmer	23,689,552	10.66%
MF Custodians Ltd	19,893,073	8.95%
Mr WD Hemsley	19,642,912	8.84%
	133,225,537	59.94%

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.

Securities exchange listing

Peet Limited shares are listed on the Australian Securities Exchange (ASX). The Company's ASX code is 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

PEET LIMITED

A.B.N 56 008 665 834

Website Address - www.peet.com.au

Directors

Tony Lennon, Non-executive Chairman

Brendan Gore B Comm, FCPA, FCIS, MAICD, Managing Director and Chief Executive Officer

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

Stephen Higgs BEc (Syd), Non-executive Director

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

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

Company Secretary

Dom Scafetta, B.Comm, CA

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

Peet Limited

ACN 008 665 834

Level 7, 200 St Georges Terrace Perth WA 6000

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PEET