



*growth and diversity*

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



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## *Strength*

Peet Limited is a leading national diversified property group – an asset manager, land syndicator and property fund manager – that has been trading continuously for more than 110 years.

Our traditional values, which include an ongoing commitment to environmental excellence and sustainability, underpin a very competitive approach to the growth and development of each of the Company's divisions.

In 2006/07 Peet Limited has demonstrated the totality of that approach to all our investors with strong, strategic growth right across the business.

## *Growth*

Peet Limited's continuing growth and sound returns to investors are based on our traditional values of integrity, experience and strength – and a commitment to innovation and excellence.

Since listing on the Australian Securities Exchange in August 2004, Peet has consolidated its diversification into retail and commercial property, seniors' developments, boutique apartment and villa built form and the management of unlisted property funds.

Peet Limited's business activities are driven by a fundamental ambition to utilise our wide range of expertise and experience to build prosperity through property for all our investors.

## *Diversity*

In the year ahead, Peet Limited will meet the challenges and opportunities of a dynamic property market, exploring and capitalising on opportunities to build, expand and grow within a rigorous governance and reporting structure, and in line with the Company's traditional values.

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## *Success*

Peet Limited is a national asset manager, land syndicator and fund manager committed to achieving prosperity through property for shareholders, investors and the residents of our quality, master planned developments. Consistent with Peet's diversification strategy, the Company now operates as follows:

### **Peet | Funds**

Focussing on industrial, retail and commercial property, providing investors with income producing opportunities.

### **Peet | Syndicates**

The leading syndicator of high-quality residential land developments throughout Australia, delivering high returns to investors.

### **Peet | Estates**

Managing and marketing company owned, syndicated or joint venture estates across Australia.

### **Peet | Living**

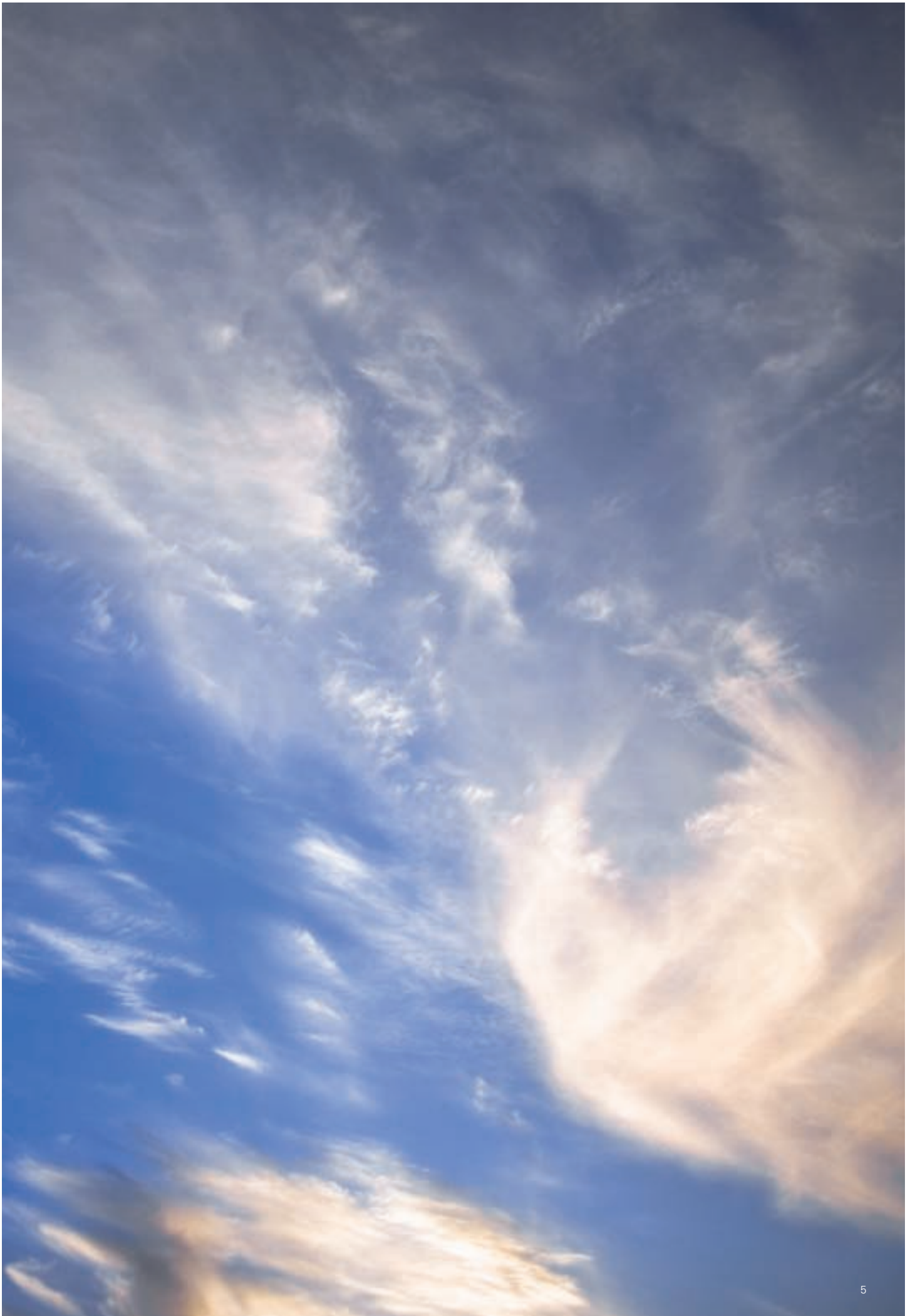
Developing and marketing low rise apartments and villa complexes – gated, secure developments at an affordable price point.

### **Peet | Senior Living**

Developing and marketing resort-style over 55s communities.

### **Peet | Commercial**

Developing shopping centres, child care facilities, medical centres and other facilities, providing community service points and benefiting from community patronage.



## Performance

Peet Limited shareholders have benefited from another year of strong returns as a result of the Company's solid performance and profit growth.

The Company has also achieved significant asset growth and, at year-end, had a market capitalisation approaching \$900 million and basic earnings per share rising 16.3% to 21.4 cents.

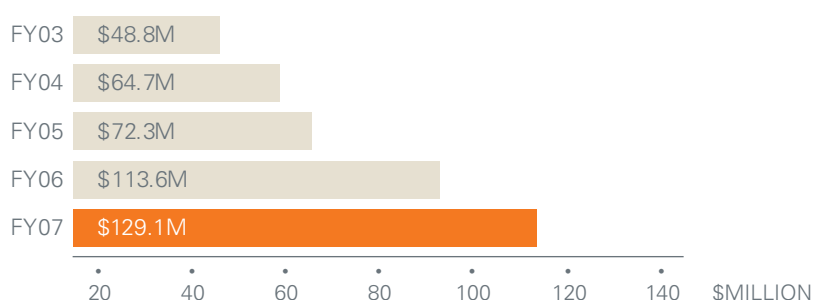
In 2006/07, Peet achieved an after-tax profit of \$45.5 million, an increase of 23.6% over the previous year. Gross revenue increased by 13.6% to \$129.1 million.

Dividends for the year totalled 19.5 cents per share fully franked – or 27.9 cents per share before tax allowing for 100% franking.

At year-end, Peet Limited's land bank, held under ownership, management or joint venture, was the equivalent of some 33,800 lots with an estimated on-completion value in excess of \$6 billion (if sold at today's prices). Almost 13,000 of these lots were held within Peet land syndicates giving investors access to the property market with the confidence of our professional management and consistently strong returns.

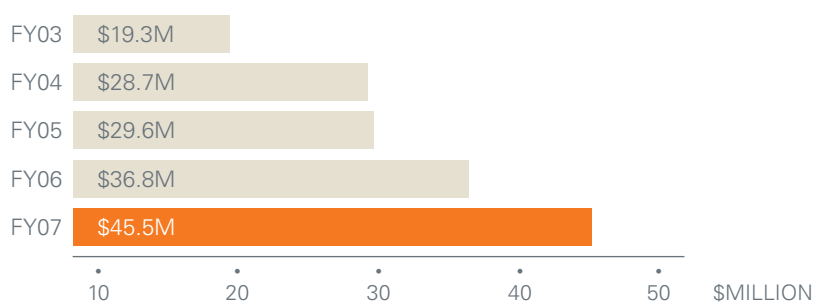
### GROSS REVENUE

Gross revenue  
increased by  
**13.6%**



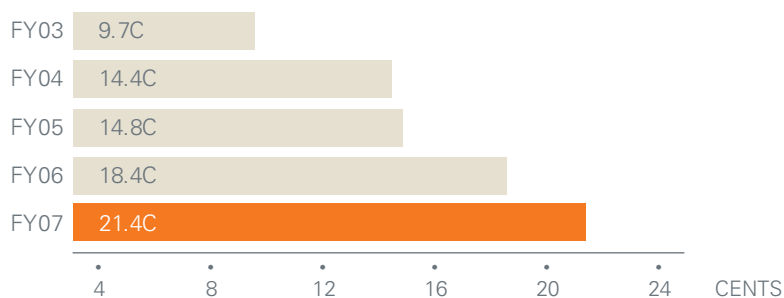
### NET PROFIT AFTERTAX

Net profit after tax  
increased by  
**23.6%**



Earnings per share  
increased by

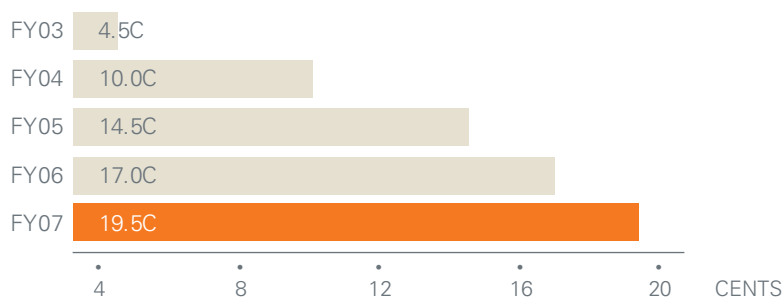
**16.3%**



DIVIDEND PER SHARE

Dividend per share  
increased by

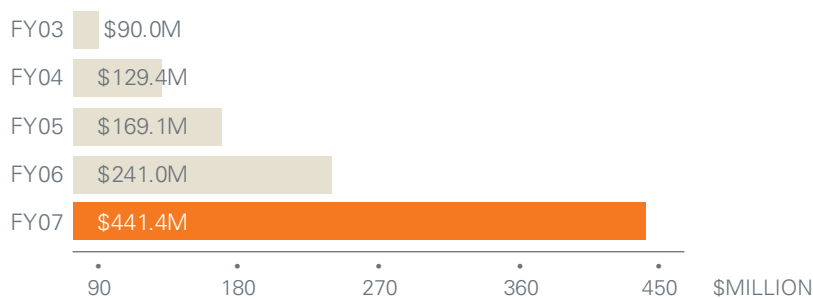
**14.7%**

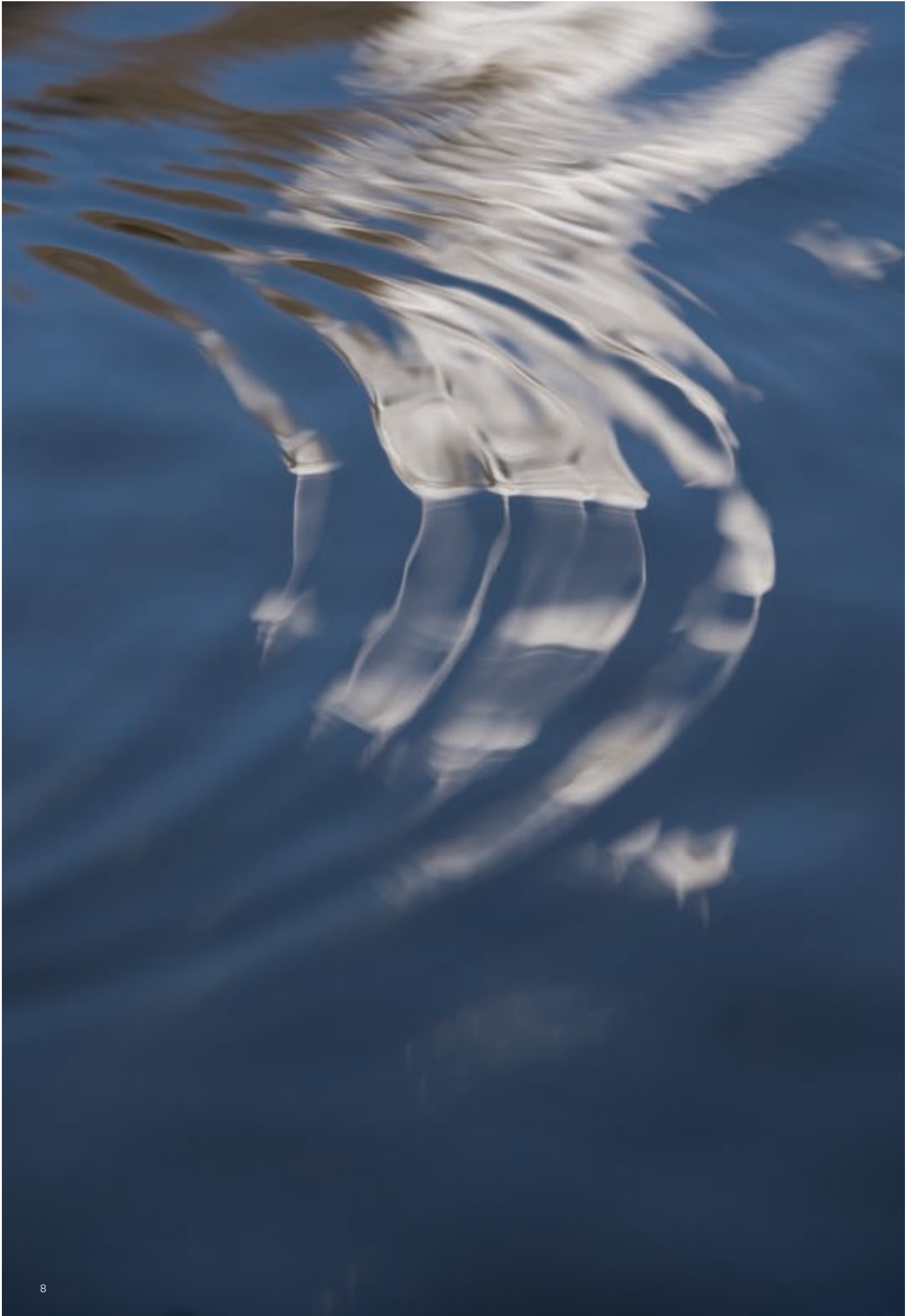


TOTAL ASSETS

Total assets  
increased by

**83.2%**







The Board is very pleased to be reporting another year of record earnings and strong performance detailed in the Peet Limited 2007 Annual Report.

It has been another eventful year marked by a variety of milestones for Peet Limited – all underpinned by our commitment to responsible growth, while meeting the expectations of our shareholders.

The Company has used the varying market conditions across the country to its advantage, strategically acquiring land for the future and pushing ahead with development plans and strong sales where conditions suit within our existing land bank.

A total of some 8,200 lots was acquired during the year, comprising a combination of residential and potential industrial lots, resulting in significant net growth after sales of approximately 6,200 lots in Peet's land bank during the year.

The year's land acquisitions increased the total number of lots managed and owned to approximately 33,800 with a further 4,200 lots potential under conditional contract as at 30 June 2007. Since that date, some of these have come within our land bank and increased it.

This brought to over \$6 billion the on-completion value of our land bank, as developed vacant lots, if sold at today's prices.

Peet continues to provide our land syndicate investors the opportunity to invest in property across the country.

During the year, the Company completed three land syndications (within its own investor base) located in Victoria, Western Australia and Queensland, raising actual funds of \$57 million. These syndicates added significantly to the Company's existing group of investors.

We are also pleased to report the confidence of some of Australia's major institutions in our plans for future growth. Peet successfully undertook an \$82 million equity raising in November 2006 to fund the ramping up of our funds management business. This brought a number of new institutional investors onto the Company's register while existing shareholders also participated under a Share Purchase Plan.

The year's record performance is attributable to growth across the business and highlights include:

- Pre-tax profits of \$65.2 million and \$45.5 million net profit after tax
- Total dividend payments by Peet Limited itself – in April 2007 and the final dividend due in October 2007 – of \$43.2 million with fully franked tax credits
- Annual dividends equate to 19.5 cents per share fully franked (or 27.9 cents per share before tax), an increase of 14.7%
- Earnings per share growth of 16.3% to 21.4 cents per share

Peet's strong performance in recent years was under the leadership of our former Managing Director, Warwick Hemsley, who, after 22 years of service to the Company, announced his retirement in May 2007.

Mr Hemsley has been a director and significant shareholder of Peet since 1985. He led the Company through its successful listing on the ASX and oversaw Peet's growth into one of Australia's biggest and most successful diversified property groups.

On behalf of the Company, Board, shareholders and employees, I wish to place on record our appreciation of Warwick's outstanding service to the Company. We pay tribute to his commitment and leadership, and are pleased that his skills, expertise and experience will benefit Peet Limited through his continuing role as a non-executive director.

We were all much saddened by the passing through sudden illness of Liz Hemsley, Warwick's wife and mother of their three children. Liz provided willing support and encouragement to all at Peet. We convey again our condolences and sympathy to Warwick and the Hemsley family.

*(Continued on page 10)*

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We are very pleased to have completed Warwick's succession internally. The Board has every confidence that Brendan Gore, who took up the role of Managing Director and Chief Executive Officer at Peet Limited on 6 August 2007, will be another outstanding leader, continuing the traditions and culture of Peet that his predecessors in the role, in Warwick Hemsley and myself, have developed and nurtured.

Mr Gore joined Peet in May 2005 as Chief Financial Officer and has played an integral role in the Company's diversification, expansion and growth. In January 2007, he was appointed Peet's inaugural Chief Operating Officer – a position created to allow the Company to cope with its rapid expansion since listing, and to continue to drive management momentum and strong growth.

On behalf of the Board and shareholders, I thank Warwick, Brendan and the other members of the Peet management team for another outstanding year of enthusiastic hard work that has reaped excellent rewards in the form of industry awards, continuing confidence from our joint venture partners and pleasing results in terms of profits and shareholder returns.

I would also like to thank my fellow Board members for their skills, ongoing diligence and keen participation. Shareholders can be confident that the 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, provide motivated representation.

I also wish to thank the Board's key support officers, Company Secretary Dom Scafetta and Group Financial Controller, Scott Grant.

As always, final recognition goes to our investors and shareholders – who make possible and give cause to the continuing success of Peet Limited.



Tony Lennon  
Chairman  
28 September 2007



I am proud to be making my first report to Peet Limited's shareholders and investors as Managing Director in a year when the Company has made its mark as a truly national, diversified property group and positioned itself well for continued growth.

Peet Limited is operating in a property market that remains robust. Continued economic growth in the Company's key operational bases of Western Australia, Victoria and Queensland has again underlined the value of Peet's diverse operational and geographical business model.

More than half Peet's earnings before tax for the year have been delivered by our operations in Victoria and Queensland and the Company is well-placed to take advantage of improved market conditions in those states in the year ahead. Our Western Australian operations also performed well during the year and forecast economic growth of around 5% over the next two years, low unemployment and population growth driven by interstate and international migration give cause for continuing optimism.

Since listing on the ASX three years ago, Peet's diversification strategy has proved immensely successful and the expansion of our activities beyond asset management and land development to include a focus on residential, commercial and retail projects enables Peet to make a very genuine commitment to building sustainable communities.

At year-end, Peet had identified more than 100 residential, built-form and commercial opportunities across its national land bank, evidencing our capacity to achieve full-value from our land holdings via a variety of methods.

A significant milestone for Peet's Commercial division during the year, was the achievement of development approval in March 2007 for its first project under management, the \$20 million Carramar District Shopping Centre.

Meanwhile Peet Living's first two developments – Grand 56 and Sixteen Hammersmith in Joondalup, Western Australia – both sold out off the plan and plans for a secure, gated villa complex at Ashton Heights were well advanced.

Peet Senior Living will explore additional opportunities in the year ahead following the commencement of successful pre-sales in its \$70 million development, named Latitude, at Lakelands in Western Australia and the purchase of another site within the Warner Lakes estate in Queensland during the year.

At year end, the Company's Peet Income Property Fund (PIPF) had expanded to more than 600 members and more than \$50 million in funds under management. The Fund acquired two strategically located industrial and commercial properties in Perth and Darwin during the year and made its first purchase in Victoria. These purchases were particularly pleasing in what is a tight commercial property market around the country. Since year end, PIPF's properties were revalued with those properties held for the full year showing capital growth of some 25%.

The Fund achieved an overall return of 37.08%, reflecting the change in Net Tangible Assets plus distributions for the year of 9.16 cents per unit – a yield of 8.25% on the unit price of \$1.11 applying during the year.

Peet has also kept its eye firmly on the future, with a record number of potential residential and commercial lots acquired during the 2006/07 year.

The strength of our land bank has always been fundamental to our success and, during the year, we acquired approximately 8,200 lots across the country – almost twice the acquisition activity of the year before. This achievement is a real credit to Company director and National Business and Development Director, Anthony Lennon, and the acquisitions team. Much of our growth has been in Victoria, while Peet is also set for major expansion in Queensland and our search for opportunities in New South Wales, where the market has underperformed compared to other major Australian states, has paid off with an acquisition under due diligence at year-end.

In 2006/07, Peet acted as project manager and marketing agent for 69 development projects in metropolitan and regional Western Australia, Victoria, New South Wales and Queensland. Some 23 of those estates were managed on behalf of syndicates with the remaining estates funded by Peet itself or in conjunction with a joint venture partner.

*(Continued on page 12)*

# MANAGING DIRECTOR'S REVIEW

PEET LIMITED AND ITS  
CONTROLLED ENTITIES

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Peet's revenue from land syndication during the year increased by 7.8% over the previous period to \$42.6 million and we look forward to another year of strong growth in this area.

At the other end of the supply chain, Peet posted residential sales of more than 2,000 lots across Australia for a total gross value of more than \$421 million. At the end of the period, Peet and its managed entities had in excess of 1,100 lots that had sold but were yet to settle for a value of \$240 million.

The Company's strong balance sheet, continued conservative gearing levels and responsible and balanced approach to expansion leads us to look forward to 2007/08 with confidence.

As Managing Director, I also look forward to the ongoing support of our tremendously experienced Board and the successes that come from a very talented team at Peet Limited, committed to achieving outstanding performance.



Brendan Gore  
Managing Director and  
Chief Executive Officer  
28 September 2007



## *Asset Management*

Peet Limited's successful capital raising in late 2006, and continued confidence from shareholders and investors, underpinned the expansion of Peet Limited's asset management activities during the year. The Company's net land bank continued to grow and there was significant progress in retail, residential built form and over 55s housing developments.

Our plans for the year ahead continue to be based upon our unique working capital-efficient business model that allows us to manage risk while achieving sound returns for our investors and shareholders.

### HIGHLIGHTS

Total assets of \$1.5 billion under management

A record \$421 million (total gross settlement value) from more than 2,000 owned and managed lots sold

As at 30 June 2007, more than 1,100 lots already sold with the remaining lots under contract and due to settle during 2007/08, for a future settlement value of \$240 million

Managed and obtained development approval for a \$20 million shopping centre at Carramar in Perth's northern suburbs; Peet Living's first two developments sold out off the plan

Commenced very successful pre-sales of Peet Senior Living's first development at Lakelands Private Estate in Western Australia



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### Acquisitions

Peet's long track record in successful development relies on the astute purchasing of well-located land parcels at competitive prices, and our experienced management and marketing of the development to optimise returns. During the year, Peet acquired a record number of potential residential and commercial lots.

The Company's commitment to the acquisition of land in growth corridors of the future means our land bank is constantly growing, giving Peet a range of opportunities in developing and marketing Company-owned and syndicated land.

A diverse range of acquisitions was made across Victoria, Western Australia and Queensland representing a total of some 8,200 potential lots – an increase of almost 4,000 over the previous year. Since year-end, Peet has finalised another acquisition, this time, in New South Wales.

A further pipeline of 4,200 lots under conditional contract, positions Peet well for the year ahead in terms of residential developments, while lots zoned for industrial and commercial use provide potential opportunities for Peet Funds. Peet continues to target acquisitions with an attractive development horizon in regions of population growth with access to existing or planned infrastructure.

### Land bank

Peet Limited has an enviable land bank in terms of its size, potential useage and geographical spread, which uniquely positions the Company to take advantage of changing market conditions around the country.

Peet's land bank is made up of syndicated, joint venture and company owned projects. At year-end, it totalled some 33,800 lots – a net increase of around 6,200 lots over the year.

This land bank – the third largest of any ASX listed property company – not only represents around 13 years' supply at current sales rates, but also presents significant potential opportunities for Peet's expanding Commercial, Living and Senior Living divisions, and for Peet Funds.

The Peet land bank has been built over many years and the development of the asset base will continue to be strategic and timed to achieve the best results for shareholders and investors, as well as to meet the needs of a growing Australian population.

In the year ahead, we will continue to use the diversity of our land bank to minimise risk and optimise returns for our current and future investors and shareholders.

### Peet Estates

Peet acted as project manager and marketing agent for 69 land developments around Australia in 2006/07 – from beachside estates and lakeside residential communities to estates with rehabilitated wetlands demonstrating environmental best practice.

Nationally, there were more than 2,000 lots sold across 24 land estates, for a gross settlement value of more than \$421 million. Owned projects accounted for 601 lot sales and gross settlement revenue of \$86.7 million, while managed projects delivered fee income of \$38.5 million from 1,438 lots sold.

Peet's early history and reputation was forged in Western Australia where forecast economic growth of around 5% over the next two years, low unemployment and population growth driven by interstate and international migration give cause for continuing optimism. This year the Company also marked its 11th year of operation in Victoria where we have some 29 projects under management totalling around 15,200 residential lots.

Peet's commitment to Queensland is evidenced by the increasing number of projects spread across Brisbane, the Sunshine Coast and regional Queensland. Fully developed, Peet's nine Queensland projects will yield more than 4,300 lots.

Warner Lakes lots continued to sell well during the year and land in some three other estates is expected to be released to the market in 2007/08.

Quality, master planned estates with a strong community focus are the hallmarks of our award-winning projects. Key infrastructure such as transport links, shopping centres, medical centres, childcare centres and schools are within our estates or close by, ensuring residents can achieve a quality, sustainable lifestyle.

Peet is not just about building estates – we create dynamic, welcoming communities. We strive for innovation that delivers real results for investors, the community and the environment.

### Joint ventures

Peet has established its credentials as a joint venturer offering state and local governments, as well as organisations and individuals, the opportunity to work with an experienced development partner.

The Company is also demonstrating its skills in urban renewal, breathing new life into an established community using modern and sustainable development principles at Quattro – the New Queens Park in Western Australia.

Peet's joint venture partners value our stability and experience, our visionary approach and our position in the marketplace as a financially capable, professional and ethical company.

We currently have two joint venture projects established in Western Australia – the Village at Wellard and Quattro – and master planning continued during the year for another at Caboolture in Queensland.

The Village at Wellard performed well during the year and will benefit from the official opening of the Southern Suburbs Railway, including a new railway station in the Village at Wellard, expected towards the end of 2007.

Meanwhile Peet Limited and its joint venture partner have joined the Federal Government in supporting two Green Corps projects – combining commitments to the environment, education and youth. The Quattro Green Corps project was the first all-indigenous Green Corps team.

Peet will continue to explore opportunities to develop strategic partnerships that serve the Company and the community well.



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### Peet Living

Peet Living is Peet's residential housing division, delivering architecturally designed, urban living solutions to suit a range of modern lifestyles. These boutique residential developments offer a variety of apartment, townhouse and villa living opportunities, as well as a range of leisure facilities, all enclosed within a secure complex.

At year-end, the experienced and dedicated Peet Living team had nine projects including four in Western Australia, three in Victoria and two in Queensland at various stages of planning and development.

#### Highlights of Peet Living's performance during 2006/07 include:

- The sale of all 24 apartments at Grand 56, Joondalup WA, on the release day and commencement of construction with the project due for completion early in the second half of 2007/08;
- The sale off the plan of all 16 apartments at 16 Hammersmith, Joondalup WA;
- Planning approval achieved for 27 villas in a secure, gated development at Peet's Ashton Heights Private Estate at Tapping, WA;
- Preparation for the release of Vantage Square, a 60 unit apartment and townhouse complex within the award-winning The Village at Wellard estate in early 2008 and planning for further residential units within the Village Centre;
- Completion of preparatory work for the development of 46 'live and work' townhouses in Point Cook Junction estate in 2007/08.

### Peet Senior Living

Peet Limited's Senior Living division – with its own management team providing significant expertise in the field of over 55s housing – launched the brand name Lattitude in the second half of the year. The name is a combination of the words "attitude" and "latitude", representing the combined sense of freedom, flexibility and independence so attractive to Peet Senior Living's target market.

As the concept of retirement is being redefined by an ageing but active demographic, so is Peet's response to this important part of our community.

Pre-sales for the first stage of Peet's first development for over 55s – the \$70 million Lattitude Lakelands in the award-winning Lakelands Private Estate in Western Australia – have been positive.

The development will include 194 two and three-bedroom villas with the look and feel of a modern residential estate, while a state-of-the-art, resort-style clubhouse will provide a social centre for the community.

The community will come together over a period of three to four years, with the first homes ready for occupation by early 2008. Planning has also commenced for other Senior Living developments in Western Australia, Victoria and Queensland.

Lattitude developments will give over-55s more lifestyle options and the opportunity to own their own free-standing, strata-titled home in a secure village that has been master planned and has access to a wide range of facilities.

### Peet Commercial

Peet Commercial is responsible for planning and developing facilities that deliver a comprehensive range of services, including shopping centres and childcare facilities on selected land estates which benefit the residents.

Under the management of dedicated professionals experienced in bringing such projects to fruition, Peet Commercial also has the capacity to undertake business park, large-format retailing and light industrial development, providing attractive investment opportunities for Peet Funds.

In March 2007, the \$20 million Carramar Shopping Centre in Western Australia, to be anchored by a 3,200sqm supermarket with up to 16 specialty stores, received local government approval. Managed by Peet, it is due for completion early in 2008/09.

During the year, Peet also submitted plans to the Wanneroo Council for a tavern and restaurant development in Carramar, while a development application for a 3000sqm supermarket-based convenience centre, family restaurant and associated retail at Point Cook in Victoria was also lodged.

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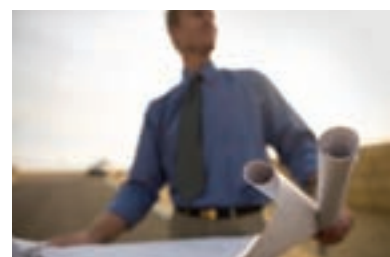
## *Land Syndication*

Peet is the architect of the land syndication model and is the leading retail land syndicator in Australia. In the past year, the total number of investors in Peet syndicates approached 4,000 – many repeat investors over many years. Peet Limited continued to benefit from strong investor loyalty with the majority of new syndicate opportunities being taken up by existing investors in the Company, its fund or syndicates.

Peet's unparalleled experience in the management and marketing of land developments means our syndicated projects are recognised by investors Australia-wide for providing value for money, with minimal overheads and consistently solid returns. The unique structure and scale of Peet Limited – acting as umbrella project manager and marketing and selling manager for a large number of individual land syndicates – ensures that our syndicates are not burdened with the high start-up costs associated with paying for their own individual project management in the lead-up to development.

2006/07 was another successful year for Peet Limited syndicates despite a challenging environment and increasing competition in the national market. During the year, more than \$57 million was raised for the purchase and development of land in Western Australia, Victoria and Queensland. At year-end, Peet was developing 23 estates on behalf of syndicates and had paid our syndicate investors a total of \$85.8 million for the year.

Three new syndicates were offered to the market during the year and all achieved a very strong response from existing and new investors. The Botanic Village Syndicate closed in December 2006 and raised more than \$18 million towards acquiring 64 hectares in Cranbourne South, within the popular Casey Cardinia corridor. Peet Mundijong Syndicate Limited also closed in December 2006, raising \$24 million towards the purchase of approximately 145 hectares (358 acres) in Mundijong, a south-eastern suburb of Perth. The Peet Beachton Syndicate Limited raised \$15 million to acquire parcels of land at Beachmere, Queensland, and Melton, Victoria.



HIGHLIGHTS

\$57 million in syndicate funding raised for land developments located in Western Australia, Victoria and Queensland

Peet Botanic Village Syndicate raised \$18 million in December 2006

Peet Mundijong Syndicate raised \$24 million in December 2006

Peet Beachton Syndicate raised \$15 million in June 2007

1,322 lots sold across 14 syndicated land developments

Total fee income from Peet's land syndication business increased by 7.8% to \$42.6 million

Pre-tax earnings increased 9.5% to \$31.5 million



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## *Funds Management*

The focus of the Peet Income Property Fund (PIPF) is industrial and commercial property throughout Australia. It provides investors with income producing, sector specific investment opportunities that have, in the past year, continued to reward our PIPF investors with good returns, through quarterly distributions and solid capital growth.

In its second full year of operation, the Fund has fulfilled all its target performance objectives, with positive revaluations of its portfolio assets, and strategic acquisitions made during 2007/08.

The Fund seeks out high-yielding, well-leased and strategically located properties as long-term investments and in August 2006 acquired industrial property in Canning Vale, capitalising on the area's status as one of Perth's premier industrial/warehouse parks.

Its second acquisition during the year was an office/commercial property in Palmerston, Northern Territory. It also purchased a new Melbourne property, expanding its reach into Victoria for the first time.

At year end, PIPF held a portfolio of nine properties worth in excess of \$44 million, spread across Queensland, Western Australia and the Northern Territory.

An independent revaluation as at 30 June 2007 showed the Fund's total portfolio of non-CBD commercial and industrial properties generated an increase in values of 25%.

The total return to unitholders was 37.08% for the year, representing the change in Net Tangible Assets plus distributions for the year of 9.16 cents per unit – up from 8.75 cents in the previous year.

PIPF properties continue to enjoy the benefits of experienced management and their exposure to Australia's best-performing economies, with growth predicted to continue in 2007/08.

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HIGHLIGHTS

More than 600 unitholders at year-end

Two new industrial and commercial properties were acquired during the year in Western Australia and the Northern Territory

A new industrial property at Tullamarine marked the first Fund acquisition in Victoria, with settlement in August 2007

More than \$50 million in funds under management at 30 June 2007

Total return of 37.08% for 2006/07 (comprising change in Net Tangible Assets and distributions paid)

Properties owned for the full year showed capital growth of approximately 25%

Distribution of 9.16 cents per unit (equating to a yield of 8.25%) which was in line with expectations

Distributions were 100% tax deferred



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## *Sustainability*

Peet's commitment to environmental excellence and sustainability is well recognized and is at the forefront of Peet's land development philosophy. This commitment has attracted a number of industry awards and accolades including Peet's appointment as HIA-Greensmart National Leader in 2006.

Water-saving initiatives, recycling and re-use of construction by-products, environmentally sensitive landscaping and design, along with the promotion of energy efficiency measures for new homes are key features of Peet's land estates.

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

- Foreshore rehabilitation – Works commenced at Burns Beach as part of the Burns Beach Foreshore Management Plan. The Plan was established by Peet to protect and maintain the integrity and biological diversity of the estate's foreshore reserve, a stunning 2.6 kilometre stretch of beachfront land.
- Soil treatment – Fly ash modified soil was used to treat the fine sandy soil conditions at a number of Western Australian estates including Lakelands and Burns Beach. This treatment has proven highly successful in maintaining nutrients in the soil, minimising the need for fertilisers and reducing any leaching of unfriendly nutrients into ground water and waterways.
- Fauna relocation – a group of qualified fauna handlers were engaged to locate, trap and move native fauna as part of The Village at Wellard's fauna relocation program.
- Green Corps program – Peet supported two successful Green Corps Environmental programs – one at The Village at Wellard and the second at Quattro: the New Queens Park. Green Corps is a Federal Government initiative encouraging young people between 17 and 20 years of age into employment and training.
- Sustainable demonstration home – Construction of Peet's first sustainable demonstration home commenced at Quattro: The New Queens Park. The home will demonstrate how sustainable practices can be incorporated into building design in an affordable way.
- Waterwise garden design – Peet responded to the stage 3a water restrictions in Victoria by designing an exclusive range of drought tolerant landscaping packages for buyers. Planning also commenced for a similar program in Queensland, with garden packages tailored to suit the State's specific needs.
- Home Design Guidelines – Peet developed a set of energy efficient guidelines including advice on the use of water saving devices, solar orientation and energy efficient lighting and appliances.



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## *Community*

Peet Limited supports a wide range of not-for-profit organisations, community-based groups, environmental groups and community activities at a corporate level.

Each of its business divisions and estates in Western Australia, Victoria and Queensland also provide support to local not-for-profit organisations, sporting teams, environmental programs and other community activities.

In 2006/07, Peet Limited was proud to support:

- The West Australian Opera's first Peet Young Artist Concert Series;
- The construction of a multi-purpose sports pavilion at The Village at Wellard in Western Australia (in association with the Department of Housing and Works);
- Organisations including Anglicare WA; St Vincent de Paul; the Salvation Army; Guide Dogs WA and the Ear Science Institute Australia; and
- More than 25 local community, environment and sporting groups operating in and close to Peet estates around the country.

The company has also supported the development of the Western Australian business community through a variety of sponsorships including support of the Leadership WA program. It also supports a number of industry activities including the HIA Greensmart program and various industry awards.

## *Awards*

Peet Limited has been proud to add the following coveted industry awards for excellence in planning, design, environmental management and the development of vibrant, sustainable communities to its awards portfolio:

**Urban Development Institute of Australia (Western Australia):**

**Sustainable Urban Development**

Lakelands Private Estate, Lakelands, WA

**Planning Institute of Australia (Western Australia) Award for Excellence:**

**Environmental Planning / Conservation**

The Village at Wellard, Wellard WA

**Landscape Industries Association (Western Australia) Best Environmental / Rehabilitation / Conservation Project**

The Village at Wellard, Wellard WA

**17 SEPTEMBER 07**

Record date for final dividend for the year ended 30 June 2007.

**28 SEPTEMBER 07**

Annual report for the year ended 30 June 2007 lodged with ASIC.

**1 OCTOBER 07**

Payment date for final dividend for the year ended 30 June 2007

**12 OCTOBER 07**

Peet's Annual Report dispatched to all shareholders

**14 NOVEMBER 07**

Annual General Meeting to be held at the Parmelia Hilton Perth Hotel, Mill Street, Perth at 10.00am (WST)

**MID FEBRUARY 08**

Release of half-year results

**MID MARCH 08**

Record date for interim 2008 dividend

**EARLY-TO-MID APRIL 08**

Interim dividend paid

Outlined below are the main Corporate Governance policies and practices in place during the 2007 financial year. Unless otherwise stated, these are consistent with the ASX Corporate Governance Council's principles and recommendations and copies of relevant charters and policies are available at [www.peet.com.au](http://www.peet.com.au).

#### **Role of the Board**

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

- setting strategic direction of the Peet Group and monitoring management's performance within that framework;
- ensuring there are adequate resources available to meet the Peet Group's objectives;
- appointing and removing the Managing Director/Chief Executive Officer and overseeing succession plans for the senior executive team;
- approving and monitoring financial reporting and capital management;
- approving and monitoring the progress of business objectives;
- ensuring that any necessary statutory licences (for example, Australian Financial Services Licence) are held and compliance measures are maintained to ensure compliance with the law and licence(s);

- ensuring that adequate risk management procedures are in place;
- ensuring that the Peet Group has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company.

#### **Composition of the Board**

Under the Constitution, the minimum number of directors is three. The maximum number of directors is to be fixed by the directors, but may not be more than 14, unless the Company in general meeting resolves otherwise. During the 2007 financial year, the Board comprised of two executive directors and three non-executive directors. At the date of this report, the Board comprises two executive directors and four non-executive directors.

Since year-end Mr Brendan Gore was appointed as the Managing Director and Chief Executive Officer of Peet. At the same time Mr Warwick Hemsley retired from those roles, but remained on the Board as a non-executive director.

#### **Board Members**

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

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

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

Mr 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 the following page.

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

### Directors' Independence

An independent director is defined as a non-executive director and:

- is not a substantial (as defined by Corporations Act) shareholder of the Company or an officer of, a substantial shareholder who has a financial interest in the substantial shareholder;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other group member, or an officer of a material supplier or customer who has a financial interest in the material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company;

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

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of 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.



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#### **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, with the most recent taking place in August 2006, and reported on in the 2006 Annual Report.

#### **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 nominations committee has not been established.

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

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

Since year-end, Mr Brendan Gore was appointed to the Board. As he was appointed as Managing Director, he is not required to stand for election at the 2007 Annual General Meeting.

#### **Board Committees**

The following committees serve the Board:

##### **Remuneration Committee**

The Remuneration Committee meets as frequently as required and during the year held 2 meetings. The Committee operates in accordance with its charter which is available on the Company's website. Its primary function is, having received and considered proposals from senior management, to make recommendations to the Board on:

- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- recruitment, retention and termination policies for senior management;

- incentive schemes;
- superannuation arrangements;
- senior management succession plan; and
- the remuneration framework for directors, including non-executive Directors.

The Remuneration Committee 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 S Higgs (Chairman) - Independent non-executive director
- Mr G Sinclair - Independent non-executive director
- Mr T Lennon - Non-executive Chairman

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

Information on key management personnel remuneration is set out in the Directors' Report.

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### **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 4 meetings during the year, which were also attended by the Executive Directors and the Chief Financial Officer. The external auditors attended 2 of the 4 meetings.

The members of the committee during the year were:

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

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.

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### Compliance Committee

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

The members of the Compliance Committee during the year were:

- Mr D Rundle (external member). Mr Rundle was a practising accountant for more than 40 years, including 11 years in public practice. In more recent times, he 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). Mr Hicks was a former partner of the firm currently known as RSM Bird Cameron. He spent his entire working life in public practice and is a Fellow of both CPA Australia and the Institute of Chartered Accountants.
- Mr W Hemsley (executive member). Please refer to information on the Board of Directors of Peet Limited.

Since year-end Mr Hemsley retired from his executive duties, but remained on the Board in a non-executive capacity. He currently remains on the Compliance Committee.

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

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

The Committee meets at least quarterly and is required to report breaches of the Corporations Act 2001, the Company's Australian Financial Services Licence and the various Managed Investment Schemes' Constitutions 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 annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers were appointed as the external auditors in 1998. Following the enactment of CLERP 9 on 1 July 2004, which introduced a five-year rotation requirement, PricewaterhouseCoopers confirmed that the current audit engagement partner's last audit will be for the year ended 30 June 2007.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in note 28 to the financial report.

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

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### Corporate Reporting

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

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

### Promotion of Ethical and Responsible Decision-Making

#### Code of Conduct

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

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

### Share Trading Guidelines

#### Employees

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

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

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

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

#### During Other Periods

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



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#### Directors and Senior Management

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

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

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

#### Short-term Dealing

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

#### Continuous Disclosure Policies and Shareholder Communication

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

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

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

Information is communicated to shareholders as follows:

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

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

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

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



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

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**Tony Lennon**

Chairman

A director of the Company for more than 20 years, Tony Lennon held the role of Executive Chairman prior to Peet's listing on the Australian Stock Exchange in 2004 and has more than 40 years' broad experience in the property industry.

He is a qualified valuer with a family background in property and took a controlling interest and the position of Managing Director of Peet Limited in 1985. Mr Lennon maintains a significant interest in the Company.

Mr Lennon is a Fellow of the Australian Institute of Company Directors and an Associate of the Australian Property Institute. A former President of the Real Estate Institute of Western Australia (REIWA), 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 the Chairman of both the Perth Inner City Living Task Force and the Residential Densities Review Taskforce and a Member of the Commercial Tenancies Tribunal.

Mr Lennon is also 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 was appointed Managing Director and Chief Executive Officer of Peet Limited in May 2007, effective from August 2007.

Mr Gore joined the Company in May 2005 as Chief Financial Officer after a very successful career in the resources sector. A qualified accountant, he has accumulated 15 years of experience in senior corporate, commercial and operational roles.

Prior to joining Peet, Mr Gore held the dual role of chief financial officer and company secretary with Mermaid Marine Australia Limited – now Australia's largest marine based services provider to the offshore oil and gas industry.

As Chief Financial Officer, he played a key role in expanding Peet's scope of activities well beyond residential development and land syndication.

Appointed inaugural Chief Operating Officer in January 2007, Mr Gore assumed responsibilities including developing Peet's integrated operational strategy and managing the day-to-day performance of its many business divisions.

As Managing Director, he maintains Peet's commitment to a long-term, strategic and disciplined approach to growth and expansion.

**Warwick Hemsley**

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

A 30-year veteran of the property industry, Warwick Hemsley has been a Director and significant shareholder of Peet since 1985. He served as Managing Director and Chief Executive Officer for 17 years, retiring in August 2007.

A widely respected leader in the property industry, Mr Hemsley has maintained high-profile roles in key industry, community and cultural organisations.

Mr Hemsley became President of the Urban Development Institute of Australia (WA) in September 2007 and is the current Chairman of the Housing Industry Forecasting Group - a joint government and industry body which monitors and forecasts housing demand.

He is also a member and former Chairman of the Real Estate Institute of Western Australia's Land Advisory Committee, and a member of its Policy Advisory Group. He is a member of the General Council of the Western Australian Chamber of Commerce & Industry and a former Chairman of its Capital City Committee.

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**Stephen Higgs**

BEc (Syd)  
Non-executive Director

Mr Hemsley is Deputy Chairman of The Western Australian Opera Company and Council Member, National Gallery of Australia (Canberra) and has served in a number of other community roles. He is a former Chairman of the Australia Day Council of Western Australia, and remains on the management committee. Other former roles include member of 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 an active Rotarian for 14 years, and served as International Service Director during that time. He is currently a Paul Harris Fellow within Rotary.

Stephen Higgs joined the board of Peet Limited as a Director in June 2004, bringing to the role more than 30 years experience in corporate finance including 20 years with UBS Investment Bank and its predecessors.

A series of board roles with high-profile Australian companies during his time with UBS Investment Bank also saw him build a leadership position in the private equity market.

In addition to his role on the Peet board, Mr Higgs is currently a Non-Executive Director of Primary Healthcare Limited (since 1999), and Freedom Nutritional Products Limited (formerly know as So Natural Foods Limited (since 2003)).

He is also Chairman of the Juvenile Diabetes Research Foundation Australia, a role he took on in 2002. Previous community roles have included Councillor at St Andrew's College, Sydney University, and Trustee of the Malcolm Sargent Cancer Fund for Children.

**Graeme Sinclair**

BComm, CA, ACIS, FAICD  
Non-executive Director

Graeme Sinclair is a qualified Chartered Accountant with more than 35 years accumulated experience in investment and wealth management services, including property investment. He joined the board of Peet Limited in June 2004.

Mr Sinclair completed his accounting qualifications with the 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 both Australian and international equity portfolios, as well as private equity and property investments.

Through one of its subsidiary companies, The Myer Family Office Ltd, the group provides ASIC-licensed advisory and financial services, including taxation, accounting, investment, philanthropic, cash trust and custody services.

Today, Mr Sinclair serves as both group Chief Executive Officer and as Managing Director of The Myer Family Company Pty Ltd.

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**Anthony Lennon**

BA, Grad Dip Bus Admin  
Executive Director

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 joined Peet Limited in 1991 and became a director of the company in 1996.

Prior to joining Peet, 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 leading 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.

Mr Lennon moved to Victoria almost a decade ago to establish Peet's operations in that State and has overseen significant expansion there.

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

Your directors present their report on the consolidated entity consisting of Peet Limited (the Company) and the entities it controlled at the end of, or during, the financial year ended 30 June 2007 (Peet Group).

## 1 DIRECTORS

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

AW Lennon (Chairman)  
WD Hemsley  
SF Higgs  
GW Sinclair  
AJ Lennon

Mr BD Gore joined the Board as Managing Director and CEO on 6 August 2007 following the retirement of Mr WD Hemsley from those positions effective from that date. Mr Hemsley remains on the Board in a non-executive capacity.

## 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	
	2007 \$'000	2006 \$'000
Revenue	129,118	113,626
Expenses	(62,550)	(60,087)
EBIT	66,568	53,539
Interest expense	(1,388)	(1,093)
Profit before tax	65,180	52,446
Income tax expense	(19,662)	(15,612)
Profit attributable to members of Peet Limited	45,518	36,834

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

	2007 Cents	2006 Cents
Basic earnings per share	21.4	18.4
Diluted earnings per share	21.1	18.3

Basic earnings per share is calculated after income tax expense based on the weighted average number of shares on issue at 30 June 2007.

#### 5 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

An increase in contributed equity of \$82,466,646 (from \$1,479,198 to \$83,945,844) as a result of:

	2007 \$'000
Issue of 20,000,000 fully paid ordinary shares @ \$4.10 each under an institutional placement	82,000
Issue of 475,130 fully paid ordinary shares @ \$4.10 each under a share purchase plan	1,948
	83,948
Less: Transaction costs arising on share issues, net of deferred income tax	(1,481)
Net increase in share capital	82,467

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

#### 6 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

#### 7 LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

## 8 DIVIDENDS

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

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED / UNFRANKED
<b>Declared and paid during the year</b>				
Interim 2007 ordinary	9.0	19,845	16 April 2007	Franked
Final 2006 ordinary	9.5	19,002	17 October 2006	Franked
	18.5	38,847		
<b>Declared after year end</b>				
Final 2007 ordinary	10.5	23,325	1 October 2007	Franked

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

The financial effect of the dividend declared subsequent to reporting date has not been brought to account in the financial statements for the year ended 30 June 2007 and will be recognised in a subsequent financial report.

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 to its Queensland land subdivision activities and the *Environmental Planning and Assessment Act 1979* in respect of its New South Wales subdivision activities.

The Company is not aware of any non-compliance.

## 10 INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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 2007	At 30 June 2007	At the date of this report	At the date of this report
AW Lennon <sup>1</sup>	70,010,448	-	70,010,448	-
WD Hemsley	20,022,000	600,000	20,022,000	600,000
SF Higgs	800,000	-	800,000	-
GW Sinclair	50,000	-	50,000	-
BD Gore <sup>2</sup>	-	170,000	-	1,370,000
AJ Lennon <sup>1</sup>	202,682	600,000	202,818	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.

2 BD Gore was granted 1.2 million options as part of his remuneration package on being appointed as Managing Director and Chief Executive Officer. The granting of the options is subject to shareholders' approval at the 2007 AGM.

## 12 DIRECTORS' MEETINGS

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

DIRECTOR	BOARD OF DIRECTORS		AUDIT & RISK MANAGEMENT COMMITTEE		REMUNERATION COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended
AW Lennon	13	13	4	4	2	2
WD Hemsley	13	13	-	-	-	-
SF Higgs	13	12	4	4	2	2
GW Sinclair	13	13	4	4	2	2
AJ Lennon	13	13	-	-	-	-

## 13 RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

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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.

Since year end, Mr Brendan Gore was appointed to the Board. As he was appointed as Managing Director, he is not required to stand for election at the 2007 AGM.

## 14 REMUNERATION REPORT

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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 under these headings includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures in 'additional information' are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

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

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

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment to executive compensation; 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 on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

## 14 REMUNERATION REPORT (CONTINUED)

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

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to shareholder growth;
- 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 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.

### Non-executive Directors' Fees

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

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.

No retirement allowances are payable.

### Executive Directors' Pay

The executive directors' pay and reward framework has four components:

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

The combination of these comprises the directors' total remuneration.

### Base Pay

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. 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.

## 14 REMUNERATION REPORT (CONTINUED)

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

#### Short-Term Incentives (STI)

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

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2007, the KPIs linked to STI plans were based on group, individual business and personal objectives. The KPIs required performance in achieving specific targets in relation to sales, settlements and profit generated as well as other key non-financial measures.

#### 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 personnel'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 will provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for key management personnel is reviewed annually to ensure the key management 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.

## 14 REMUNERATION REPORT (CONTINUED)

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### Details of Remuneration (audited)

Details of the remuneration of each director and the other key management personnel of the Company and the Group, as defined in AASB 124 Related Party Disclosures, are set out in the following tables. This also includes the five highest paid executives of the Company and the Group as required to be disclosed under the Corporations Act 2001.

### 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 entity:

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

P MacLeod resigned from Peet Limited as at 18 May 2007.

**14 REMUNERATION REPORT (CONTINUED)**

**Details of Remuneration (audited) (continued)**

Directors' and Other Key Management Personnel Benefits (audited)

Directors		Cash salary and fees \$	SHORT-TERM BENEFITS			POST- EMPLOYMENT BENEFITS		SHARE-BASED PAYMENT		Total \$
			Bonus <sup>1</sup> \$	Other \$	Super \$	Shares / Options <sup>3</sup> \$	Options <sup>3</sup> \$			
AW Lennon	2007	165,000	-	-	14,850	-	-	-	179,850	
	2006	162,800	-	-	18,780	-	-	-	181,580	
WD Hemsley	2007	334,869	225,000	10,000	105,113	27,079	28,000	702,061		
	2006	339,413	225,000	10,000	100,587	28,000	28,000	703,000		
S Higgs	2007	75,000	-	-	6,750	-	-	81,750		
	2006	60,000	-	-	5,400	-	-	65,400		
G Sinclair	2007	75,413	-	-	6,337	-	-	81,750		
	2006	5,000	-	-	60,400	-	-	65,400		
B Gore	2007	261,842	146,875	-	12,677	18,233	439,627			
	2006	222,380	60,000	-	12,139	10,030	304,549			
AJ Lennon	2007	324,313	175,000	13,000	12,687	27,079	552,079			
	2006	325,130	175,000	13,000	12,185	28,000	553,315			
Total	2007	1,236,437	546,875	23,000	158,414	72,391	2,037,117			
	2006	1,114,723	460,000	23,000	209,491	66,030	1,873,244			

**14 REMUNERATION REPORT (CONTINUED)**

**Details of Remuneration (audited) (continued)**  
Directors' and Other Key Management Personnel Benefits (audited) (continued)

Other Key Management Personnel		SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENT		Total \$
		Cash salary and fees \$	Bonus <sup>1</sup> \$		Shares / Options <sup>3</sup>	\$	
N Hinchcliff <sup>5</sup>	2007	183,310	60,000	20,213	4,667	268,190	
	2006	174,312	45,000	17,339	4,667	241,318	
L McGill <sup>5</sup>	2007	160,286	39,375	17,935	7,767	225,363	
	2006	151,260	42,500	14,656	7,232	215,648	
P Lynch <sup>5</sup>	2007	202,936	-	18,264	5,600	226,800	
	2006	166,055	-	18,248	5,600	189,903	
D Scafetta <sup>5</sup>	2007	157,150	25,721	12,681	9,333	204,885	
	2006	149,740	10,000	12,360	9,333	181,433	
S Kenney <sup>5</sup>	2007	141,208	35,166	12,677	29,067 <sup>4</sup>	218,118	
	2006	136,166	10,000	12,139	12,420 <sup>4</sup>	170,725	
D Mulder	2007	146,348	32,000	14,823	7,767	200,938	
	2006	123,911	20,000	11,147	7,232	162,290	
P MacLeod	2007	175,902	-	17,099	-	193,001	
	2006 <sup>2</sup>	119,863	29,000	10,391	-	159,254	
Total	2007	1,167,140	192,262	113,692	64,201	1,537,295	
	2006	1,021,307	156,500	96,280	46,484	1,320,571	

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

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

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

4 Share-based payment includes \$20,000 (FY06: \$10,000) of Peet Limited shares.

5 Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the Corporations Act 2001.

## 14 REMUNERATION REPORT (CONTINUED)

### Details of Remuneration (audited) (continued)

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

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2007	2006	2007	2006	2007	2006
<b>Directors</b>						
AW Lennon	100%	100%	-	-	-	-
WD Hemsley	64%	64%	32%	32%	4%	4%
SF Higgs	100%	100%	-	-	-	-
GW Sinclair	100%	100%	-	-	-	-
BD Gore	63%	77%	33%	20%	4%	3%
AJ Lennon	63%	63%	32%	32%	5%	5%
<b>Other Key Management Personnel</b>						
N Hinchcliff	76%	79%	22%	19%	2%	2%
L McGill	80%	77%	17%	20%	3%	3%
P Lynch	98%	97%	-	-	2%	3%
D Scafetta	82%	89%	13%	6%	5%	5%
S Kenney	80%	93%	16%	6%	4%	1%
D Mulder	80%	84%	16%	12%	4%	4%
P MacLeod	100%	82%	-	18%	-	-

### Service Agreements (audited)

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

#### WD Hemsley, Managing Director

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

At the completion of his 3 year Term of Agreement, Mr Hemsley retired from the position of Managing Director and CEO, however he remains on the Board in a non-executive capacity.

#### BD Gore, Managing Director

- 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, subject to shareholders' approval at this year's 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 months' 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)

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### Service Agreements (audited) (continued)

AJ Lennon, National Business Development Director

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

At the completion of his 3 year Term of Agreement, Mr Lennon is no longer on a service agreement and will transition to an executive employment contract.

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

### Share-Based Compensation (audited)

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 the five year anniversary of the date of grant of the options.

## 14 REMUNERATION REPORT (CONTINUED)

### Share-Based Compensation (audited) (continued)

#### 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 options are not exercisable until the third anniversary of the grant date and providing other conditions have been met and expire five years from the grant date.

On 6 August 2007, 1,200,000 options were granted to BD Gore under the Company's ESOP, subject to shareholders' approval at this year's 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.

#### Exercise Conditions for Options

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

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

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

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

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

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

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

## 14 REMUNERATION REPORT (CONTINUED)

### Share-Based Compensation (audited) (continued)

In relation to the initial grant, 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 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 the Service Contract.

### 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 certain performance standards are met and the employees are still employed by the Group at the end of the vesting period. 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.

### Shares under Option

Unissued ordinary shares of the Company under option amounted to 3,124,000 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
154,000	\$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
380,000	\$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 <sup>1</sup>	\$4.10	\$0.53	6 August 2007	6 August 2011	6 August 2013
<b>3,124,000</b>					

<sup>1</sup> These options have been granted to BD Gore, subject to shareholder approval at the 2007 AGM.

## 14 REMUNERATION REPORT (CONTINUED)

### Share-Based Compensation (audited) (continued)

#### Option Holdings

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

		FOR THE YEAR ENDED 30 JUNE 2007				
		Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors</b>						
AW Lennon	2007	-	-	-	-	-
	2006	-	-	-	-	-
WD Hemsley	2007	600,000	-	-	600,000	600,000
	2006	600,000	-	-	600,000	-
SF Higgs	2007	-	-	-	-	-
	2006	-	-	-	-	-
GW Sinclair	2007	-	-	-	-	-
	2006	-	-	-	-	-
BD Gore	2007	170,000	-	-	170,000	-
	2006	-	170,000	-	170,000	-
AJ Lennon	2007	600,000	-	-	600,000	600,000
	2006	600,000	-	-	600,000	-
<b>Other Key Management Personnel</b>						
N Hinchcliff	2007	100,000	-	-	100,000	-
	2006	100,000	-	-	100,000	-
L McGill	2007	130,000	-	-	130,000	-
	2006	100,000	30,000	-	130,000	-
P Lynch	2007	120,000	-	-	120,000	-
	2006	120,000	-	-	120,000	-
D Scafetta	2007	200,000	-	-	200,000	-
	2006	200,000	-	-	200,000	-
S Kenney	2007	70,000	-	-	70,000	-
	2006	-	70,000	-	70,000	-
D Mulder	2007	130,000	-	-	130,000	-
	2006	100,000	30,000	-	130,000	-
P MacLeod	2007	-	-	-	-	-
	2006	-	-	-	-	-

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

## 14 REMUNERATION REPORT (CONTINUED)

### Additional Information (unaudited)

#### Performance of Peet Limited

The overall level of executive compensation takes into account the performance of the group over the past year and comparison to the previous years performance. Over the past four years, the Group's profit from ordinary activities after income tax has grown at an average rate of 23.9% per annum, and dividends paid per share has grown at an average rate of 18.2% per annum. During the same period, average executive remuneration has grown approximately 16.9% per annum.

#### 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 below. No part of the bonuses forfeited is payable in future years. 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.

	CASH BONUS				OPTIONS			
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
<b>Directors</b>								
AW Lennon	-	-	-	-	-	-	-	-
WD Hemsley	67	33	2004	100	-	2007	nil	-
SF Higgs	-	-	-	-	-	-	-	-
GW Sinclair	-	-	-	-	-	-	-	-
BD Gore	100	-	2008 <sup>1</sup>	-	-	2012	nil	636,000
			2006	-	-	2009	nil	26,437
AJ Lennon	67	33	2004	100	-	2007	nil	-
<b>Other Key Management Personnel</b>								
N Hinchcliff	100	-	2005	-	-	2008	nil	358
L McGill	75	25	2006	-	-	2009	nil	3,635
			2005	-	-	2008	nil	358
P Lynch	-	-	2005	-	-	2008	nil	430
D Scafetta	100	-	2005	-	-	2008	nil	716
S Kenney	100	-	2006	-	-	2009	nil	15,714
D Mulder	100	-	2006	-	-	2009	nil	3,635
			2005	-	-	2008	nil	358
P MacLeod	-	100	-	-	-	-	-	-

<sup>1</sup> These options have been granted to BD Gore, subject to shareholder approval at the 2007 AGM.

## 14 REMUNERATION REPORT (CONTINUED)

### Additional Information (unaudited) (continued)

Further details relating to options are set out below.

	REMUNERATION CONSISTING OF OPTIONS <sup>1</sup>	VALUE AT GRANT DATE <sup>2</sup> \$	VALUE AT EXERCISE DATE <sup>3</sup> \$	VALUE AT LAPSE DATE <sup>4</sup> \$	TOTAL \$
<b>Directors</b>					
WD Hemsley	3.9%	-	-	-	-
BD Gore	4.2%	-	-	-	-
AJ Lennon	4.9%	-	-	-	-
<b>Other Key Management Personnel</b>					
N Hinchcliff	1.7%	-	-	-	-
L McGill	3.4%	-	-	-	-
P Lynch	2.5%	-	-	-	-
D Scafetta	4.6%	-	-	-	-
S Kenney	4.2%	-	-	-	-
D Mulder	3.9%	-	-	-	-
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. Lapsed options refer to options that vested but expired unexercised.

### Loans to Directors and Other Key Management Personnel

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

## 15 INSURANCE OF OFFICERS AND AUDITORS

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

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

## 16 NON-AUDIT SERVICES

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

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

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

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

	CONSOLIDATED	
	2007	2006
	\$	\$
<b>Audit services</b>		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	102,350	200,450
Non-PricewaterhouseCoopers audit firms	20,845	58,729
<b>Total remuneration for audit services</b>	<b>123,195</b>	<b>259,179</b>
<b>Other assurance services</b>		
PricewaterhouseCoopers Australian firm	9,700	-
Non-PricewaterhouseCoopers audit firms	-	33,715
<b>Total remuneration for other assurance services</b>	<b>9,700</b>	<b>33,715</b>
<b>Total remuneration for assurance services</b>	<b>132,895</b>	<b>292,894</b>
<b>Taxation services</b>		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	100,111	137,763
Non-PricewaterhouseCoopers tax firms	-	54,877
<b>Total remuneration for other taxation services</b>	<b>100,111</b>	<b>192,640</b>

## 17 AUDITOR

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

## 18 AUDITOR'S INDEPENDENCE DECLARATION

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

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

28 September 2007  
Auditor's Independence Declaration

**PricewaterhouseCoopers**  
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**Auditor's Independence Declaration**

As lead auditor for the audit of Peet Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

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



John O'Connor  
Partner  
PricewaterhouseCoopers

Perth  
28 September 2007

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

# 2007 financial report

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

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# INCOME STATEMENTS

PEET LIMITED AND ITS  
CONTROLLED ENTITIES  
30 JUNE 2007

	Notes	CONSOLIDATED		PARENT ENTITY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Revenue</b>	5	129,118	113,626	66,046	62,271
Other income	7(a)	-	-	2,838	2,003
Change in inventories		141,702	58,015	559	616
Purchases & other inventory costs		(179,377)	(95,697)	(5,873)	(5,422)
Employee benefits expense		(11,972)	(10,392)	(11,959)	(10,200)
Depreciation	6	(395)	(290)	(288)	(194)
Finance costs	6	(1,388)	(1,093)	(141)	(403)
Project management, selling and other operating costs		(9,735)	(6,737)	(5,318)	(4,021)
Office costs		(1,786)	(1,317)	(1,763)	(1,317)
Other expenses		(1,094)	(3,743)	(975)	(1,186)
Share of net profit/(loss) of associates accounted for using the equity method	36(b)	107	74	-	-
Profit before income tax		65,180	52,446	43,126	42,147
Income tax expense	7	(19,662)	(15,612)	(10,694)	(9,658)
<b>Profit for the year</b>		45,518	36,834	32,432	32,489
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>					
Basic earnings per share (cents)	38(a)	21.4	18.4		
Diluted earnings per share (cents)	38(a)	21.1	18.3		

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

# BALANCE SHEETS

PEET LIMITED AND ITS  
CONTROLLED ENTITIES  
30 JUNE 2007

	Notes	CONSOLIDATED		PARENT ENTITY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	8	68,646	18,532	48,064	9,316
Receivables	9	47,292	39,320	22,356	19,047
Inventories	10	37,274	18,069	873	2,492
<b>Total Current Assets</b>		<b>153,212</b>	<b>75,921</b>	<b>71,293</b>	<b>30,855</b>
<b>Non-Current Assets</b>					
Inventories	12	282,773	160,276	8,202	7,142
Investments accounted for using the equity method	13	2,753	2,504	-	-
Available for sale financial assets	14	1	706	1	706
Derivative financial instruments	15	668	-	668	-
Other financial assets	16	-	-	48,034	8,081
Property, plant and equipment	17	1,951	1,601	1,749	1,398
<b>Total Non-Current Assets</b>		<b>288,146</b>	<b>165,087</b>	<b>58,654</b>	<b>17,327</b>
<b>Total Assets</b>		<b>441,358</b>	<b>241,008</b>	<b>129,947</b>	<b>48,182</b>
<b>Current Liabilities</b>					
Payables	19	48,289	33,525	5,835	3,800
Borrowings	20	14,110	23,830	-	-
Current tax liabilities		6,123	3,212	6,123	3,212
Provisions	21	3,760	3,782	1,149	790
<b>Total Current Liabilities</b>		<b>72,282</b>	<b>64,349</b>	<b>13,107</b>	<b>7,802</b>
<b>Non-Current Liabilities</b>					
Payables	22	38,502	11,286	2	2
Borrowings	20	182,715	111,050	-	-
Deferred tax liabilities	23	11,092	7,643	4,464	5,005
Provisions	24	75	30	75	30
<b>Total Non-Current Liabilities</b>		<b>232,384</b>	<b>130,009</b>	<b>4,541</b>	<b>5,037</b>
<b>Total Liabilities</b>		<b>304,666</b>	<b>194,358</b>	<b>17,648</b>	<b>12,839</b>
<b>Net Assets</b>		<b>136,692</b>	<b>46,650</b>	<b>112,299</b>	<b>35,343</b>
<b>Equity</b>					
Contributed equity	25	83,946	1,479	83,946	1,479
Reserves	26	1,653	749	1,653	749
Retained profits	26	51,093	44,422	26,700	33,115
<b>Total Equity</b>		<b>136,692</b>	<b>46,650</b>	<b>112,299</b>	<b>35,343</b>

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 2007

	Notes	CONSOLIDATED		PARENT ENTITY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Total equity at the beginning of the financial year</b>		46,650	43,414	35,343	36,452
Profit for the year		45,518	36,834	32,432	32,489
Changes in the fair value of cash flow hedges, net of tax		468	-	468	-
<b>Total recognised income and expense for the year</b>		45,986	36,834	32,900	32,489
Transactions with equity holders in their capacity as equity holders:					
Employee share options	26	436	406	436	406
Contributions of equity, net of transaction costs		82,467	-	82,467	
Dividends provided for or paid	27	(38,847)	(34,004)	(38,847)	(34,004)
<b>Total equity at the end of the financial year</b>		136,692	46,650	112,299	35,343

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 2007

	Notes	CONSOLIDATED		PARENT ENTITY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of GST)		129,370	110,479	61,291	60,847
Payments to suppliers and employees (inclusive of GST)		(67,780)	(49,145)	(22,137)	(16,355)
Payments for purchase of land		(95,390)	(42,063)	-	-
Dividends received		252	87	5,252	7,587
Interest received		3,261	1,087	2,460	631
Interest and other finance costs paid		(13,334)	(8,204)	(201)	(819)
Income tax paid		(12,870)	(17,472)	(12,870)	(17,472)
<b>Net cash (outflow) inflow from operating activities</b>	35(c)	<b>(56,491)</b>	<b>(5,231)</b>	<b>33,795</b>	<b>34,419</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(744)	(720)	(639)	(638)
Proceeds from sale of investments in associates		-	2	-	2
Proceeds from sale of available for sale financial assets		740	1,913	740	1,913
Payments for investments in associates		(301)	(195)	(301)	(195)
Payments for investments in available for sale financial assets		-	(2,618)	-	(2,618)
Proceeds from capital returns		124	9	124	9
<b>Net cash (outflow) from investing activities</b>		<b>(181)</b>	<b>(1,609)</b>	<b>(76)</b>	<b>(1,527)</b>
<b>Cash flows from financing activities</b>					
Dividends paid		(38,847)	(34,004)	(38,847)	(34,004)
Loans to related entities		(4,597)	(3,754)	(95,985)	(32,839)
Proceeds from issues of equity securities		82,467	-	82,467	-
Loan repayments from related entities		5,818	3,754	57,394	37,670
Repayments of borrowings		(70,990)	(64,890)	-	(4,800)
Proceeds from borrowings		132,935	106,830	-	-
<b>Net cash inflow (outflow) from financing activities</b>		<b>106,786</b>	<b>7,936</b>	<b>5,029</b>	<b>(33,973)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>50,114</b>	<b>1,096</b>	<b>38,748</b>	<b>(1,081)</b>
Cash and cash equivalents at the beginning of the financial year		18,532	17,436	9,316	10,397
<b>Cash and cash equivalents at the end of the financial year</b>	35(a)	<b>68,646</b>	<b>18,532</b>	<b>48,064</b>	<b>9,316</b>
Financing arrangements	35(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). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

### Early adoption of standards

The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. No adjustments to any of the financial statements were required for the above pronouncement.

### Historical Cost Convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and derivatives used as cash flow hedges.

### Critical Accounting Estimates

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (b) Principles of Consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Peet Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Peet Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Peet Limited. 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. The corresponding balance in the prior year has been reallocated to improve compatibility.

#### (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 longterm 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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (b) Principles of Consolidation (continued)

#### (iii) Joint Ventures

##### Jointly Controlled Operations

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

### (c) Segment Reporting

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

### (d) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### Tax Consolidation Legislation

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

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

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

### (d) Income Tax (continued)

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.

### (e) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to their acquisition.

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

### (f) Impairment of Assets

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

### (g) Property, Plant and Equipment

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Furniture, fittings and equipment - 1-5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (h) Revenue Recognition

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

#### Sale of Land

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

#### Project Management and Selling Fees

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

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

#### Dividend Income

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

### (i) Cash and Cash Equivalents

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

### (j) Trade Receivables

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (k) Inventories

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

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

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

### (l) Investments and Other Financial Assets

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

#### (i) Loans and Receivables

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

#### (ii) Available-for-Sale Financial Assets

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

### Recognition and derecognition

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.

### 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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (l) Investments and Other Financial Assets (continued)

#### Fair value

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### 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 either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge),
- or
- 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.

#### 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.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (n) 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.

### (o) Borrowings

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

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

### (p) Borrowing Costs

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

### (q) 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.

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

#### (iii) Share-Based Payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan and Deferred Employee Share Plan. Information relating to these plans is set out in note 39.

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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (r) Employee Benefits (continued)

#### (iii) Share-Based Payments (continued)

The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

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

#### (iv) Profit Sharing and Bonus Plans

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

#### (v) Termination Benefits

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

#### (vi) Retirement Benefit Obligations

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

### (s) 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.

### (t) 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)

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### (u) Fair Value Estimation

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

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

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

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

### (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.

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

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

### (w) Earnings Per Share

#### Basic Earnings Per Share

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

#### Diluted Earnings Per Share

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (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.

### (z) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group has assessed that there is not expected to be any impact on the Group in respect to these new standards and interpretations other than in respect to AASB 7 *Financial Instruments: Disclosures*.

AASB 7 *Financial Instruments: Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

## 2 FINANCIAL RISK MANAGEMENT

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

Financial risk management is carried out by the accounting and finance department under policies approved by the Board of Directors and the Audit and Risk 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 provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and credit risks, use of derivative financial instruments (if any) and investing excess liquidity.

### (a) Credit Risk

The Group has no significant concentrations of credit risk.

### (b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to closeout 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.

## 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have 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.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

No critical judgements were used in applying the Groups accounting policies.

## 4 SEGMENT INFORMATION

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### Business Segments

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

#### Funds Management /Land Syndication

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

#### 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.

**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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Primary Reporting Business Segments	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>										
Sales to external customers	35,800	30,150	86,720	80,290	2,696	1,275	-	-	125,216	111,715
Inter-segment transactions	6,184	9,198	-	-	-	-	(6,184)	(9,198)	-	-
Total sales revenue	41,984	39,348	86,720	80,290	2,696	1,275	(6,184)	(9,198)	125,216	111,715
Share of net profit/(loss) of associates	-	-	-	-	-	-	107	74	107	74
Other revenue	579	138	3,583	881	-	-	(260)	892	3,902	1,911
Total segment revenue	42,563	39,486	90,303	81,171	2,696	1,275	(6,337)	(8,232)	129,225	113,700
<b>Result</b>										
EBITDA	31,620	28,847	32,285	21,535	2,039	918	1,019	2,529	66,963	53,829
Depreciation	(158)	(115)	(225)	(169)	(12)	(6)	-	-	(395)	(290)
<b>EBIT</b>	31,462	28,732	32,060	21,366	2,027	912	1,019	2,529	66,568	53,539
Financing costs									(1,388)	(1,093)
<b>Profit before income tax expense</b>									65,180	52,446
Income tax expense									(19,662)	(15,612)
<b>Profit for the year</b>									45,518	36,834
<b>Total assets</b>	74,088	36,750	343,166	190,846	22,674	20,018	1,430	(6,606)	441,358	241,008
Segment liabilities	6,163	4,622	81,986	48,286	1,502	2,499	975	(6,783)	90,626	48,624
Unallocated liabilities	-	-	-	-	-	-	214,040	145,734	214,040	145,734
<b>Total liabilities</b>	6,163	4,622	81,986	48,286	1,502	2,499	215,015	138,951	304,666	194,358
Investment in associates	1,251	1,154	-	-	1,502	1,350	-	-	2,753	2,504
Acquisitions of property, plant and equipment	639	637	105	83	-	-	-	-	744	720
Depreciation expense	(158)	(115)	(225)	(169)	(12)	(6)	-	-	(395)	(290)
Other non-cash expenses	-	(1)	-	-	-	-	-	-	-	(1)

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation  
EBIT: Earnings Before Interest and Tax

## 5 REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from sale of land	86,720	80,290	14,974	13,607
Project management and selling fees	19,953	18,986	26,136	24,160
Manager's performance fees	8,050	7,745	8,050	11,737
Revenue from other trading activities	10,493	4,694	8,998	4,432
	125,216	111,715	58,158	53,936
Other revenue				
- Dividends	252	87	5,252	7,587
- Interest	3,261	1,087	2,460	631
- Other	389	737	176	117
	3,902	1,911	7,888	8,335
	129,118	113,626	66,046	62,271

## 6 EXPENSES

Profit before income tax includes the following specific expenses:

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Depreciation	395	290	288	194
Finance costs:				
- Interest & finance charges	13,334	8,204	141	819
- Amount capitalised	(11,946)	(7,111)	-	(416)
Finance costs expensed	1,388	1,093	141	403
Rental expense - relating to operating leases:				
Minimum lease payments	549	461	549	461
Write off of development expenditure	306	197	306	197

**7** INCOMETAX

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Income tax expense</b>				
Current tax	15,765	14,208	10,784	9,029
Deferred tax	3,883	1,644	(104)	883
Adjustments for current tax of prior periods	14	(240)	14	(254)
	<b>19,662</b>	<b>15,612</b>	<b>10,694</b>	<b>9,658</b>
Deferred income tax expense included in income tax expense comprises:				
(Increase)/decrease in deferred tax assets	298	(977)	(48)	(214)
Increase/(decrease) in deferred tax liabilities	3,585	2,621	(56)	1,097
	<b>3,883</b>	<b>1,644</b>	<b>(104)</b>	<b>883</b>
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit before income tax expense	65,180	52,446	43,126	42,147
Tax at Australian tax rate of 30% (2006: 30%)	19,554	15,734	12,938	12,644
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Entertainment	18	23	18	23
Employee benefits	131	122	131	122
Tax consolidation distribution	-	-	(851)	(601)
Sundry	(5)	(1)	4	-
Franking Rebate	(50)	(26)	(1,560)	(2,276)
(Over)/under provision in prior years	14	(240)	14	(254)
Income tax expense	<b>19,662</b>	<b>15,612</b>	<b>10,694</b>	<b>9,658</b>

## 7 INCOMETAX (CONTINUED)

### Tax Consolidation Legislation

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

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

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

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

### (a) Other Income Related to Tax Consolidation Legislation

The Company has recognised a tax consolidation distribution from wholly owned tax consolidated entities of \$2,838,000 (2006: \$2,003,000). The distribution arose as the result of a transfer of tax losses to the head entity for no compensation and is classified as other income.

## 8 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and on hand	68,646	18,532	48,064	9,316

The deposits are bearing floating interest rates between 5.25% and 6.20% (2006: 4.75% and 5.25%).

## 9 CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade debtors	25,786	16,950	3,306	12
Accrued income	18,644	16,985	16,856	17,139
Tax related amounts receivable from wholly owned entities	-	-	1,786	-
Prepayments	355	1,316	257	285
Other debtors	2,507	4,069	151	1,611
	47,292	39,320	22,356	19,047

## 9 CURRENT ASSETS - RECEIVABLES (CONTINUED)

### Accrued Income

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

### Other Debtors

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

## 10 CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Land held for resale:				
Cost of acquisition	25,182	6,247	172	244
Capitalised development costs	7,371	10,892	701	2,248
Capitalised finance costs	4,721	930	-	-
	37,274	18,069	873	2,492

Refer to note 12 for valuation details

## 11 NON-CURRENT ASSETS - RECEIVABLES

### (a) Interest Rate Risk

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

		CONSOLIDATED	
		Non-interest bearing \$'000	Total \$'000
Trade receivables	2007	6,248	6,248
	2006	12	12
Accrued income receivable	2007	35,252	35,252
	2006	33,923	33,923
Other receivables	2007	5,011	5,011
	2006	4,069	4,069
	2007	46,511	46,511
	2006	38,004	38,004

### (b) Credit Risk

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

## 12 NON-CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Land held for resale:</b>				
Cost of acquisition	248,845	134,636	5,741	4,264
Capitalised development costs	15,578	12,390	1,509	1,733
Capitalised finance costs	18,350	13,250	952	1,145
	<b>282,773</b>	<b>160,276</b>	<b>8,202</b>	<b>7,142</b>

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

LAND PARCEL	BOOK VALUE \$	VALUATION <sup>1,2,3</sup> \$	VALUATION DATE
(i) 'Innisfail' Estate, Dunnings Road, Point Cook, Victoria	9,092,797	35,387,808	17 July 2007
(ii) Proposed 'Greenvale Lakes' Estate, Somerton Road, Greenvale, Victoria	29,123,930	53,500,000	14 May 2007
(iii) 'Greenvale Rise' Estate, 1170 Mickleham Road, Greenvale, Victoria	9,074,621	38,304,323	14 May 2007
(iv) Proposed 'Brigadoon' Estate, Brigadoon, Western Australia	6,897,283	18,930,000	12 July 2007
(v) Proposed 'Castlereagh' Estate, 295-305 Sneydes Road, Point Cook, Victoria	11,393,363	16,000,000	3 April 2007
(vi) Proposed 'Craigieburn Central' Estate, 575 Craigieburn Road, Craigieburn, Victoria	19,766,595	40,000,000	14 May 2007
(vii) 'The Parks at Innisfail' Estate, Lots 3 and 4, Dunnings Road, Point Cook, Victoria	4,483,886	13,675,172	3 May 2007
(viii) 'Ashton Heights' Estate, Lot 2706 Pinjar Road, Tapping, Western Australia	12,043,637	24,875,000	11 June 2007
(ix) 'Grand 56' Residential Development, 56 Grand Boulevard, Joondalup, Western Australia	3,387,732	4,390,000	30 June 2007
(x) 'The Chase' Estate, Baldivis Road, Baldivis, Western Australia	15,047,426	17,428,000	4 July 2007
(xi) Proposed 'The Ridge' Estate, Smirk Road, Baldivis, Western Australia	3,033,144	5,750,000	29 June 2007
(xii) '16 Hammersmith' Residential Development, 16 Hammersmith Court, Joondalup, Western Australia	1,066,492	1,335,000	30 June 2007
(xiii) Proposed 'Valley Road' Estate, Valley Road, Skye, Victoria	3,705,851	4,100,000	2 May 2007
(xiv) Proposed 'Palmer's Road' Industrial Estate, Palmer's Road, Truganina, Victoria	5,829,687	13,350,000	17 April 2007
(xv) Proposed 'The Chase' Estate, Lot 129 Baldivis Road, Baldivis, Western Australia	9,973,928	13,864,000	5 July 2007
(xvi) Proposed 'The Chase' Estate, Lots 55,54, and 18 Fifty Road, Baldivis, Western Australia	17,488,058	18,109,000	3 July 2007
(xvii) Proposed 'Big Grove' Estate, Albany, Western Australia	10,600,000	10,600,000	15 May 2007
(xviii) Other land at lower of cost and net realisable value	148,038,300	148,038,300	
	<b>320,046,730</b>	<b>477,636,603</b>	

<sup>1</sup> Direct comparison approach has been utilised as the primary method of valuation, with a discounted cash flow analysis utilised as a check method.

<sup>2</sup> Valuations are exclusive of GST.

<sup>3</sup> Valuations prepared by Independent Valuer.

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

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Peet Caboolture Syndicate Ltd	1,502	1,350	-	-
Other	1,251	1,154	-	-
Investments in associates (note 36)	2,753	2,504	-	-

### 14 NON-CURRENT ASSETS - AVAILABLE FOR SALE FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Peet Income Property Fund	1	706	1	706

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

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
At beginning of year	706	-	706	-
Adjustment on adoption of AASB 132 and AASB 139	-	1	-	1
Additions	-	2,618	-	2,618
Disposals	(705)	(1,913)	(705)	(1,913)
At end of year	1	706	1	706

### 15 NON-CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Interest rate swap contracts - cash flow hedges	668	-	668	-

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 an average variable interest rate of 7.08%. It is 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 25% (2006: Nil) 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 6.43% (2006: Nil) and the variable rates are between 0.5% and 1.0% above the 90 day bank bill rate which at balance date was 6.62% (2006: Nil)

## 15 NON-CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June 2007, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2007 \$'000	2006 \$'000
2 - 3 years	35,000	-
4 - 5 years	15,000	-
	50,000	-

The contracts require settlement of net interest receivable or payable each 90 days. The contracts are settled on a net basis.

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 hedged interest expense is recognised.

At balance date for both the Group and the parent entity these contracts were assets with fair value of \$668,000 (2006: Nil).

## 16 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Investments in associates (note 36)	-	-	2,752	2,610
Investments in subsidiaries	-	-	45,282	5,471
	-	-	48,034	8,081

## 17 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fixtures and fittings:				
Cost	2,441	1,726	2,074	1,443
Accumulated depreciation	(840)	(553)	(676)	(485)
Carrying amount at 1 July	1,601	1,173	1,398	958
Additions	745	720	639	638
Disposals	-	(2)	-	(4)
Depreciation	(395)	(290)	(288)	(194)
Carrying amount at 30 June	1,951	1,601	1,749	1,398
Cost	3,186	2,441	2,713	2,074
Accumulated depreciation	(1,235)	(840)	(964)	(676)
	1,951	1,601	1,749	1,398

## 18 NON-CURRENT ASSETS- DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Accrued expenses and provisions	549	647	46	169
Rebates provision	1,052	893	269	-
Staff provisions	200	157	200	157
Inventory	101	362	253	253
Other	44	58	44	57
Capital raising costs	508	-	508	-
	2,454	2,117	1,320	636
Set off deferred tax liabilities pursuant to set off provisions (note 23)	(2,454)	(2,117)	(1,320)	(636)
	-	-	-	-
Movements:				
Opening balance at 1 July	2,117	1,140	636	422
Credited/ (charged) to the income statement	(298)	977	49	214
Amounts recognised directly in equity	635	-	635	-
Closing balance at 30 June	2,454	2,117	1,320	636
Deferred tax assets to be recovered within 12 months	894	1,224	543	636
Deferred tax assets to be recovered after more than 12 months	1,560	893	777	-
	2,454	2,117	1,320	636

## 19 CURRENT LIABILITIES - PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade payables	37,985	27,899	1,766	96
Other payables	10,304	5,626	4,069	3,704
	48,289	33,525	5,835	3,800

## 20 BORROWINGS

### a) Secured Liabilities

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Current - Secured</b>				
Bank Bills	14,110	23,830	-	-
<b>Non-current - Secured</b>				
Bank Bills	182,715	111,050	-	-

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

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

	Notes	CONSOLIDATED		PARENT ENTITY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Current</b>					
<b>First Mortgage</b>					
Inventories	10	37,274	18,069	873	2,492
<b>Floating Charge</b>					
Cash and cash equivalents	8	68,646	18,532	48,064	9,316
Receivables	9	47,292	39,320	22,356	19,047
		115,938	57,852	70,420	28,363
Total current assets pledged as security		153,212	75,921	71,293	30,855
<b>Non-Current</b>					
<b>First Mortgage</b>					
Inventories	12	282,773	160,276	8,202	7,142
<b>Floating Charge</b>					
Available for sale financial assets	14	1	706	1	706
Other financial assets	16	-	-	48,034	8,081
Property, plant and equipment	17	1,951	1,601	1,749	1,398
		1,952	2,307	49,784	10,185
Total non-current assets pledged as security		284,725	162,583	57,986	17,327
Total assets pledged as security		437,937	238,504	129,279	48,182

## 20 BORROWINGS (CONTINUED)

### a) Secured Liabilities( continued)

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

#### Terms of facilities

##### ANY GROUP MEMBER

Facility No 1:	Revolving Multi-Option Facility
Limit:	\$220,000,000 expiry date 31 December 2009.
Facility No 2:	Revolving Multi-Option Facility
Limit:	\$25,000,000 expiry date 31 December 2009.
Facility No 3:	Revolving Multi-Option Facility
Limit:	\$15,000,000 expiry date 31 December 2007.
Facility No 4:	Business Credit Card Facility
Limit:	\$75,000 expiry date 31 December 2007.

##### PEET INNISFAIL SYNDICATE LIMITED

Facility No 5:	Bank Guarantee Facility
Limit:	\$5,000,000 expiry date 31 December 2009.

Refer to note 35(b) for details of availability and usage of the above facilities.

### b) Interest rate risk exposure

		AS AT 30 JUNE 2007	
		Floating interest rate \$'000	Total \$'000
Bank Bills current secured	2007	14,110	14,110
	2006	23,830	23,830
Bank Bills non-current secured	2007	182,715	182,715
	2006	111,050	111,050
Interest rate swaps	2007	(50,000)	(50,000)
	2006	-	-
	2007	146,825	146,825
	2006	134,880	134,880
Weighted average interest rate	2007	7.08%	
	2006	6.59%	

### c) Fair value

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

## 21 CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Rebates	3,508	3,591	897	599
Long service leave	252	191	252	191
	3,760	3,782	1,149	790

### Movements in Provisions

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

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	3,591	1,552	599	199
Additional provisions recognised in the year	1,506	2,536	495	418
Paid during the year	(1,589)	(497)	(197)	(18)
Carrying amount at 30 June	3,508	3,591	897	599

### Rebates

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

## 22 NON-CURRENT LIABILITIES - PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Trade payables	38,502	11,286	-	-
Owing to controlled entities	-	-	2	2
	38,502	11,286	2	2

The parent entity has guaranteed the payment of the balance of the trade payables. Trade payables in respect of development property purchase amounts due are \$67,040,000 (2006: \$34,278,000), of which \$38,502,000 (2006: \$11,286,000) is non-current. Further information on amounts owing to controlled entities is set out in note 32 - Related Parties.

## 23 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Borrowing and interest costs	7,088	4,217	285	343
Accrued income	5,992	5,410	5,054	5,240
Depreciation	207	41	244	58
Prepayments	58	92	-	-
Cash flow hedges	201	-	201	-
	13,546	9,760	5,784	5,641
Set-off of deferred tax assets of parent entity pursuant to set-off provisions (note 18)	(2,454)	(2,117)	(1,320)	(636)
Net deferred tax liabilities	11,092	7,643	4,464	5,005
Movements (pre set off):				
Opening balance at 1 July	9,760	7,138	5,641	4,545
Charged / (credited) to the income statement	3,585	2,622	(58)	1,096
Charged directly to equity	201	-	201	-
Closing balance at 30 June	13,546	9,760	5,784	5,641
Deferred tax liabilities to be settled within 12 months	6,050	5,502	5,054	5,240
Deferred tax liabilities to be settled after more than 12 months	7,496	4,258	730	401
	13,546	9,760	5,784	5,641

## 24 NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee entitlements	75	30	75	30

## 25 CONTRIBUTED EQUITY

### Share Capital

	CONSOLIDATED AND PARENT ENTITY			
	2007 Shares	2006 Shares	2007 \$'000	2006 \$'000
Paid up capital				
Ordinary shares - fully paid	220,498,454	200,023,324	83,946	1,479

### 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	Institutional 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

### Ordinary Shares

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

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

## 26 RESERVES AND RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Reserves</b>				
Hedging reserve - cash flow hedges	468	-	468	-
Share-based payments reserve	1,185	749	1,185	749
	1,653	749	1,653	749

### Movements

Hedging reserve - cash flow hedges				
Balance 1 July	-	-	-	-
Revaluation - gross	668	-	668	-
Deferred tax	(200)	-	(200)	-
Balance 30 June	468	-	468	-

### Movements

Share-based payments reserve				
Balance 1 July	749	343	749	343
Option expense	436	406	436	406
Balance 30 June	1,185	749	1,185	749

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Retained profits at the beginning of the financial year	44,422	41,592	33,115	34,630
Profit for the year	45,518	36,834	32,432	32,489
Dividends provided for or paid	(38,847)	(34,004)	(38,847)	(34,004)
Retained profits at the end of the financial year	51,093	44,422	26,700	33,115

#### Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(m).

#### Share-based payment reserve

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

## 27 DIVIDENDS

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED / UNFRANKED
<b>2007</b>				
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		
<b>2006</b>				
Interim 2006 ordinary	7.5	15,002	19 April 2006	Franked
Further final 2005 ordinary	2.5	5,001	16 December 2005	Franked
Final 2005 ordinary	7.0	14,001	20 October 2005	Franked
Total amount	17.0	34,004		

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

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

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED / UNFRANKED
Final 2007 ordinary	10.5	23,325	1 October 2007	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 2007 and will be recognised in subsequent financial reports. The declaration and subsequent payment of this dividend has no income tax consequences.

### Dividend reinvestment plan (DRP)

The Company has established a DRP to provide shareholders with the choice of reinvesting some or all of their dividends in shares rather than receiving those dividends in cash. As at the date of this report the DRP has not been activated.

### Dividend franking account

	PARENT ENTITY	
	2007 \$'000	2006 \$'000
30% franking credits available to shareholders of Peet Limited for subsequent financial years	12,399	13,391

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

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

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of the dividend proposed subsequent to year end but not recognised as a liability is to reduce it by \$9,996,230 (2006: \$8,143,807). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has assumed all franking credits from all entities within the tax-consolidated group.

## 28 REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Audit services</b>				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	102,350	200,450	102,350	200,450
Non-PricewaterhouseCoopers audit firms	20,845	58,729	-	-
Total remuneration for audit services	123,195	259,179	102,350	200,450
<b>Other assurance services</b>				
PricewaterhouseCoopers Australian firm				
	9,700	-	9,700	-
Non-PricewaterhouseCoopers audit firms	-	33,715	-	33,715
Total remuneration for other assurance services	9,700	33,715	9,700	33,715
Total remuneration for assurance services	132,895	292,894	112,050	234,165
<b>Taxation services</b>				
PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company income tax returns	100,111	137,763	100,111	129,274
Non-PricewaterhouseCoopers tax firms	-	54,877	-	-
Total remuneration for taxation services	100,111	192,640	100,111	129,274

## 29 CONTINGENCIES

### Contingent liabilities

The consolidated entity and parent entity had contingent liabilities at 30 June 2007 in respect of guarantees and underwriting obligations for land syndication of \$23,015,800 (2006: \$5,547,000). In addition, the parent entity had contingent liabilities at 30 June 2007 in respect of guarantees of \$82,242,500 (2006: \$36,543,600).

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.

### 30 COMMITMENTS

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

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Future operating lease rentals not provided for in the financial statements and payable:				
- Not later than one year	633	315	633	315
- Later than one year but not later than five years	2,785	770	2,785	770
- Later than five years	1,414	-	1,414	-
	4,832	1,085	4,832	1,085

The operating leases are cancellable.

### 31 KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Directors

The following persons were directors of the Company during the financial year.

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

Mr WD Hemsley retired from executive duties effective 6 August 2007.

#### (b) Other Key Management Personnel

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

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

All of the above persons were also key management personnel during the year ended 30 June 2006.

Mr B Gore was appointed Managing Director and Chief Executive Officer effective 6 August 2007.

P MacLeod resigned from Peet Limited as at 18 May 2007.

### 31 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

#### (c) Key Management Personnel Compensation

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	3,165,714	2,775,530	3,165,714	2,775,530
Post employment benefits	272,106	305,771	272,106	305,771
Share-based payments	136,592	112,514	136,592	112,514
	3,574,412	3,193,815	3,574,412	3,193,815

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

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

##### Option Holdings

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

		FOR THE YEAR ENDED 30 JUNE 2007			
		Balance at the start of the year	Granted during the year as remuneration	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors</b>					
AW Lennon	2007	-	-	-	-
	2006	-	-	-	-
WD Hemsley	2007	600,000	-	600,000	600,000
	2006	600,000	-	600,000	-
SF Higgs	2007	-	-	-	-
	2006	-	-	-	-
GW Sinclair	2007	-	-	-	-
	2006	-	-	-	-
AJ Lennon	2007	600,000	-	600,000	600,000
	2006	600,000	-	600,000	-

### 31 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

Option Holdings (continued)

		FOR THE YEAR ENDED 30 JUNE 2007			
		Balance at the start of the year	Granted during the year as remuneration	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Other Key Management Personnel</b>					
B Gore	2007	170,000	-	170,000	-
	2006	-	170,000	170,000	-
N Hinchcliff	2007	100,000	-	100,000	-
	2006	100,000	-	100,000	-
L McGill	2007	130,000	-	130,000	-
	2006	100,000	30,000	130,000	-
P Lynch	2007	120,000	-	120,000	-
	2006	120,000	-	120,000	-
D Scafetta	2007	200,000	-	200,000	-
	2006	200,000	-	200,000	-
S Kenney	2007	70,000	-	70,000	-
	2006	-	70,000	70,000	-
D Mulder	2007	130,000	-	130,000	-
	2006	100,000	30,000	130,000	-
P MacLeod	2007	-	-	-	-
	2006	-	-	-	-

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

## 31 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

#### Share Holdings

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

		FOR THE YEAR ENDED 30 JUNE 2007			
		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
<b>Directors</b>					
AW Lennon	2007	70,010,448	-	-	70,010,448
	2006	70,010,448	-	-	70,010,448
WD Hemsley	2007	20,022,000	-	-	20,022,000
	2006	20,022,000	-	-	20,022,000
SF Higgs	2007	800,000	-	-	800,000
	2006	800,000	-	-	800,000
GW Sinclair	2007	50,000	-	-	50,000
	2006	50,000	-	-	50,000
AJ Lennon	2007	202,208	-	474	202,682
	2006	201,095	-	1,113	202,208
<b>Other Key Management Personnel</b>					
B Gore	2007	-	-	-	-
	2006	-	-	-	-
N Hinchcliff	2007	53,294	-	-	53,294
	2006	47,785	-	5,509	53,294
L McGill	2007	9,547	-	962	10,509
	2006	7,895	-	1,652	9,547
P Lynch	2007	-	-	-	-
	2006	50,000	-	(50,000)	-
D Scafetta	2007	84,000	-	-	84,000
	2006	84,000	-	-	84,000
S Kenney	2007	64,296	-	-	64,296
	2006	-	-	64,296	64,296
D Mulder	2007	15,833	-	-	15,833
	2006	15,833	-	-	15,833
P MacLeod	2007	-	-	-	-
	2006	-	-	-	-

## 32 RELATED PARTIES

### (a) Parent Entity

The wholly owned Group as at 30 June 2007 consists of the Company (incorporated in Australia), being the ultimate parent entity, and its wholly owned controlled entities as detailed in note 36.

### (b) Transactions with Related Parties

Transactions between the Company and other entities in the wholly owned Group during the years ended 30 June 2007 and 2006 consisted of loans advanced and project management, marketing and selling fees charged by the Company. There are no interest charges or fixed terms for the repayment of loans advanced by the Company.

Disclosures relating to key management personnel are set out in note 31.

During the year ended 30 June 2007, the Company derived the following fees from subsidiaries:

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Project management, marketing and selling fees	-	-	6,184,101	5,174,038
Manager's performance fees	-	-	-	3,991,800
Bookkeeping and secretarial fees	-	-	-	32,413
Other consultancy fees	-	-	-	2,627
	-	-	6,184,101	9,200,878

During the year ended 30 June 2007, the parent entity's profit before income tax included distributions from subsidiaries:

	PARENT ENTITY	
	2007	2006
	\$	\$
Dividend revenue	5,000,000	7,500,000

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

The Company received \$5,967,215 (2006: \$8,525,226) in respect of its tax sharing and funding agreement with subsidiaries.

The Company has recognised a tax consolidation distribution from wholly owned tax consolidated entities of \$2,838,000 (2006: \$2,003,000). The distribution arose as a result of a transfer of tax losses to the head entity for no compensation and is classified as other income.

## 32 RELATED PARTIES (CONTINUED)

### (b) Transactions with Related Parties (Continued)

During the year ended 30 June 2007, the Company derived the following fees from associates:

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Project management, marketing and selling fees	18,752,587	18,986,004	18,752,587	18,986,004
Manager's performance fees	8,049,754	7,744,720	8,049,754	7,744,720
Capital raising co-ordination, underwriting and asset identification fees	8,311,094	2,879,887	8,311,094	2,879,887
Bookkeeping and secretarial fees	686,613	539,309	686,613	539,309
Other consultancy fees	56,514	42,818	56,514	42,818
	35,856,562	30,192,738	35,856,562	30,192,738

### (c) Outstanding Balances

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

	PARENT ENTITY	
	2007	2006
	\$	\$
<b>Payable to Subsidiaries</b>		
Non-current	2,002	2,002
<b>Receivable from Subsidiaries</b>		
Non-current	45,282,509	5,471,422

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

Amounts receivable from and (payable) to entities in the wholly-owned group are disclosed in notes 9, 11 and 22 to the financial statements.

	PARENT ENTITY	
	2007	2006
	\$	\$
<b>Movements in receivables from subsidiaries</b>		
Beginning of the year	5,471,422	11,987,968
Loans advanced	97,205,084	31,153,950
Loan repayments received	(57,393,997)	(37,670,496)
End of year	45,282,509	5,471,422

## 32 RELATED PARTIES (CONTINUED)

### (c) Outstanding Balances (Continued)

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

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current	16,856,080	16,088,105	16,856,080	16,088,105

## 33 TRUSTS

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

	Right of Indemnity \$'000	2007 Total Liabilities \$'000	Deficiency \$'000	Right of Indemnity \$'000	2006 Total Liabilities \$'000	Deficiency \$'000
Burns Beach Property Trust	30,924	30,924	-	28,851	28,851	-
Hawkstone Unit Trust	1,459	1,459	-	1,822	1,854	32
Yanchep Ocean Front Unit Trust	645	645	-	41	41	-
Yatala Unit Trust	21,752	21,752	-	4,021	4,021	-
Peet Income Property Fund	18,287	18,287	-	13,954	13,954	-
	73,067	73,067	-	48,689	48,721	32

## 34 EVENTS SUBSEQUENT TO REPORTING DATE

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

## 35 NOTES TO CASH FLOW STATEMENT

### (a) Reconciliation of Cash and Cash Equivalents

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

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and on hand	68,646	18,532	48,064	9,316

### (b) Financing Arrangements

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

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Total facilities</b>				
Bank loan facilities	230,018	163,250	258,627	148,601
Credit cards	75	75	75	75
Bank guarantees / Letters of credit	34,982	15,266	1,373	5,415
<b>Used at balance date</b>				
Bank loan facilities	196,825	134,880	-	-
Credit cards	-	-	-	-
Bank guarantees / Letters of credit	34,982	15,266	1,373	207
<b>Unused at balance date</b>				
Bank loan facilities	33,193	28,370	258,627	148,601
Credit cards	75	75	75	75
Bank guarantees / Letters of credit	-	-	-	5,208

Bank loan facilities, bank overdraft and bank guarantees of the parent entity cannot together exceed \$260,075,000 (2006: \$154,091,000) at any one time. The bank loan facilities, bank overdrafts and bank guarantees of the consolidated entity as at 30 June 2007 could not together exceed \$265,075,000 (2006: \$178,591,000) at any one time. These are multi-option facilities. Refer to note 20 Borrowings for details about terms and securities on the above facilities.

**35** NOTES TO CASH FLOW STATEMENTS (CONTINUED)

(c) Reconciliation of Profit after Income Tax to Net Cash (outflow) / inflow from Operating Activities

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit for the year	45,518	36,834	32,432	32,489
Add/(deduct) non cash items:				
- Depreciation	395	290	288	194
- Loss on sale of non-current assets	-	1	-	1
- Employee Share based payments	436	406	436	406
- Equity accounting for investments in associates	(107)	(74)	-	-
Change in operating assets and liabilities during the financial year:				
- (Increase)/decrease in receivables	(7,972)	(11,294)	(3,309)	4,198
- (Increase)/decrease in inventory	(141,702)	(49,987)	559	(616)
- Increase/(decrease) in income taxes payable	2,911	(3,580)	2,911	(3,516)
- Increase/(decrease) in trade creditors	41,980	18,322	2,035	(49)
- Increase in provisions	23	2,144	404	430
- Increase/(decrease) in deferred taxes payable	2,027	1,707	(1,961)	882
Net cash (outflow)/inflow from operating activities	(56,491)	(5,231)	33,795	34,419

### 36 INVESTMENTS IN ASSOCIATES

Name of Associate	OWNERSHIP INTEREST		CONSOLIDATED		PARENT ENTITY	
	2007 %	2006 %	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Peet & Co Casey Land Syndicate Ltd	0.54	0.54	34	27	10	16
Peet & Co Point Cook Land Syndicate Ltd	0.21	0.21	4	15	3	14
Peet Adios Syndicate Ltd	0.60	0.60	3	12	1	9
Peet Baldivis Syndicate Ltd	0.39	0.39	3	22	2	10
Peet Bayonet Head Syndicate Ltd	0.56	0.56	2	3	6	6
Peet Beachton Syndicate Ltd	0.33	-	-	-	25	-
Peet Botanic Village Syndicate Ltd	0.69	-	118	-	125	-
Peet Byford Syndicate Ltd	0.15	0.15	12	33	13	33
Peet Caboolture Syndicate Ltd	20.00	20.00	1,502	1,350	1,600	1,600
Peet Cardinia Lakes Syndicate Ltd	0.21	0.21	42	41	42	42
Peet Cranbourne Syndicate Ltd	1.58	1.58	202	108	218	124
Peet Cranbourne Central Syndicate Ltd	0.05	-	1	-	2	-
Peet Forrestdale Syndicate Ltd	0.70	0.70	17	17	23	23
Peet Mandurah Syndicate Ltd	1.25	1.25	109	152	80	100
Peet Mundijong Syndicate Ltd	0.22	-	50	-	53	-
Peet Oakford Land Syndicate Ltd	0.37	0.37	7	7	7	7
Peet Tarneit Gardens Syndicate Ltd	1.29	1.29	160	197	127	127
Peet Tarneit Rise Syndicate Ltd	0.33	0.33	54	52	55	55
Peet Warner Lakes Syndicate Ltd	1.56	1.56	340	358	270	337
Peet Windsor Park Syndicate Ltd	0.07	0.07	10	13	8	10
Other			83	97	82	97
			2,753	2,504	2,752	2,610

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

#### (a) Movements in Carrying Amounts

	CONSOLIDATED	
	2007 \$'000	2006 \$'000
Carrying amount at the beginning of the financial year	2,504	2,237
Acquisitions	301	195
Disposals	(159)	(2)
Share of profit after income tax	107	74
Carrying amount at the end of the financial year	2,753	2,504

## 36 INVESTMENTS IN ASSOCIATES (CONTINUED)

### (b) Share of Associates Profit

	CONSOLIDATED	
	2007 \$'000	2006 \$'000
Share of associates profit	107	74

### (c) Summarised Financial Information of Associates

Name of Associate	GROUP'S SHARE OF:			
	Assets \$'000	Liabilities \$'000	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

## 37 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	
			2007 %	2006 %
<b>At Cost</b>				
Indemnity & Liability Administrators Pty Limited	WA	Ord & Pref.	100	100
Hawkestone Conveyancing Pty Limited	WA	Ordinary	100	100
Hawkestone Unit Trust <sup>1</sup>	N/A	Trust Unit	100	100
Peet Management Pty Limited	WA	Ordinary	100	100
Peet Innisfail Syndicate 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 Sneydes Road Pty 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 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 Cardinia Gardens Syndicate 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

**37** SUBSIDIARIES (CONTINUED)

	PLACE OF INCORPORATION	CLASS OF SHARE	HOLDING	
			2007 %	2006 %
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
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 No 106 Pty Limited	WA	Ordinary	100	100
Peet No 107 Pty Limited	WA	Ordinary	100	100
Peet No 108 Pty Limited	WA	Ordinary	100	100
Peet No 109 Pty Limited	WA	Ordinary	100	100
Peet No 110 Pty Limited <sup>2</sup>	WA	Ordinary	100	-
Peet No 111 Pty Limited <sup>2</sup>	WA	Ordinary	100	-
Peet No 112 Pty Limited <sup>2</sup>	WA	Ordinary	100	-
Peet No 113 Pty Limited <sup>2</sup>	WA	Ordinary	100	-
Peet No 114 Pty Limited <sup>2</sup>	WA	Ordinary	100	-
Peet No 115 Pty Limited <sup>3</sup>	WA	Ordinary	100	-
Peet No 116 Pty Limited <sup>3</sup>	WA	Ordinary	100	-
Peet No 117 Pty Limited <sup>3</sup>	WA	Ordinary	100	-
Peet No 118 Pty Limited <sup>4</sup>	WA	Ordinary	100	-
Peet No 119 Pty Limited <sup>4</sup>	WA	Ordinary	100	-
Peet No 120 Pty Limited <sup>4</sup>	WA	Ordinary	100	-
Peet No 121 Pty Limited <sup>5</sup>	WA	Ordinary	100	-
Peet No 122 Pty Limited <sup>5</sup>	WA	Ordinary	100	-
Peet No 123 Pty Limited <sup>5</sup>	WA	Ordinary	100	-
Secure Living Queensland Pty Limited <sup>6</sup>	WA	Ordinary	100	-

1 The net tangible assets of Hawkstone Unit Trust at acquisition date were nil. The Trust was acquired on 9 September 1994 for nil consideration

2 Entity registered on 25 July 2006

3 Entities registered on 9 January 2007

4 Entities registered on 12 March 2007

5 Entities registered on 1 June 2007

6 Entity registered on 25 June 2007

## 38 EARNINGS PER SHARE

### (a) Earnings Per Share

	CONSOLIDATED	
	2007	2006
	CENTS	CENTS
Basic earnings per share	21.4	18.4
Diluted earnings per share	21.1	18.3

### (b) Reconciliation of Earnings Used in Calculating Earnings Per Share

	CONSOLIDATED	
	2007	2006
	\$'000	\$'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	45,518	36,834

### (c) Weighted Average Number of Shares Used in the Denominator

	CONSOLIDATED	
	2007	2006
Weighted average number of ordinary shares used as a denominator in the calculation of earnings per share	212,491,132	200,023,324
Adjustments for calculation of diluted earnings per share:		
Options	3,214,677	1,595,522
Weighted average number of ordinary shares used as a denominator in the calculation of fully diluted earnings per share	215,705,809	201,618,846

## 39 SHARE-BASED PAYMENTS

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

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

#### Invitations to apply for Options

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

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

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

#### Consideration

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

#### Exercise Conditions

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

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

#### Lapse of Options

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

### 39 SHARE-BASED PAYMENTS (CONTINUED)

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

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AT END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
			No.	No.	No.	No.	No.	No.
<b>Consolidated and parent entity - 2007</b>								
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
<b>Consolidated and parent entity - 2006</b>								
18 Jun 04	18 Jun 09	\$1.20	1,200,000	-	-	-	1,200,000	-
28 July 04	28 July 09	\$1.20	1,847,000	-	-	-	1,847,000	-
17 Aug 05	17 Aug 10	\$1.71	-	20,000	-	-	20,000	-
22 Aug 05	22 Aug 10	\$1.75	-	10,000	-	-	10,000	-
1 Sept 05	1 Sept 10	\$2.04	-	400,000	-	-	400,000	-
8 Feb 06	8 Feb 11	\$2.81	-	100,000	-	-	100,000	-
2 May 06	2 May 11	\$3.09	-	20,000	-	-	20,000	-
24 May 06	24 May 11	\$3.42	-	50,000	-	-	50,000	-
Total			3,047,000	600,000	-	-	3,647,000	-
Weighted average exercise price			\$1.20	\$2.30	-	-	\$1.38	-

Options forfeited during the financial year amounted to 83,000 (2006: Nil).

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.24 years (2006: 3.25 years).

### 39 SHARE-BASED PAYMENTS (CONTINUED)

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

##### Fair value of options granted

The fair value of options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

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

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

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

#### (b) Expenses arising from share-based payment transactions

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

	CONSOLIDATED		PARENT ENTITY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Options issued under ESOP	436	406	436	406

#### (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 28,535 shares were purchased at a market value of \$112,742.

# DIRECTORS' DECLARATION

PEET LIMITED AND ITS  
CONTROLLED ENTITIES  
30 JUNE 2007

## DIRECTORS' DECLARATION

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 58 to 107 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 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable: and
- (c) the audited remuneration disclosures set out on pages 40 to 50 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

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



Brendan Gore  
Managing Director  
Perth, Western Australia  
28 September 2007

## Independent auditor's report to the members of Peet Limited

### Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Peet Limited (the company) which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements 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 (the company) and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 40 to 50 of the directors' report and not in the financial report.

### Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' 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 control 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.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

### 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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the

directors' 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 and the remuneration disclosures contained in the directors' 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.

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

#### **Matters relating to the electronic presentation of the audited financial report**

This audit report relates to the financial report and remuneration disclosures of Peet Limited for the financial year ended 30 June 2007 included on the Peet Limited web site. The Company's directors are responsible for the integrity of the Peet Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosure presented on this web site.

#### **Independence**

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

#### **Auditor's opinion on the financial report**

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 2007 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.

**Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report**

In our opinion, the remuneration disclosures that are contained in pages 40 to 50 of the directors' report comply with Accounting Standard AASB 124

  
PricewaterhouseCoopers

  
John O'Connor  
Partner

Perth  
28 September 2007

# SHAREHOLDER INFORMATION

PEET LIMITED AND ITS  
CONTROLLED ENTITIES  
30 JUNE 2007

## DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding

	NUMBER OF SHAREHOLDERS	% OF ISSUED SHARES
1 - 1,000	250	0.08
1,001 - 5,000	1,748	2.62
5,001 - 10,000	958	3.42
10,001 - 100,000	836	9.28
100,001 and over	74	84.60
	3,866	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	31.51
Mr IMC Palmer & Mrs HC Palmer	23,689,552	10.66
MF Custodians Ltd	19,982,295	9.00
Mr WD Hemsley	19,642,912	8.84
Australian Foundation Investment Company Ltd	7,915,989	3.56
Citicorp Nominees Pty Ltd <CFS Future Leaders Fund>	6,735,913	3.03
JP Morgan Nominees Aust Ltd	3,944,945	1.78
UBS Wealth Management Aust Nominees Pty Ltd	2,821,771	1.27
National Nominees Ltd	2,491,463	1.12
Cogent Nominees Pty Ltd	2,260,143	1.02
Citicorp Nominees Pty Ltd	1,941,204	0.87
HSBC Custody Nominees (Australia) Ltd	1,815,368	0.83
Mirrabooka Investments Ltd	1,720,657	0.77
Amcil Ltd	1,500,000	0.68
Argo Investments Ltd	1,460,435	0.66
Mr LJ Peet	1,450,000	0.65
Citicorp Nominees Pty Ltd <CFSIL CWLTH Property 1 A/C>	1,425,774	0.64
Cogent Nominees Pty Ltd <SMP Accounts>	1,374,621	0.62
Djerriwarrh Investments Ltd	1,020,000	0.46
Citicorp Nominees Pty Ltd <CFSIL CFS WS Small Comp A/C>	907,243	0.41
	174,100,285	78.38

## SUBSTANTIAL SHAREHOLDERS

NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
Scorpio Nominees Pty Ltd	70,000,000	31.51
Mr IMC Palmer & Mrs HC Palmer	23,689,552	10.66
MF Custodians Ltd	19,982,295	9.00
Mr WD Hemsley	19,642,912	8.84
	133,314,759	60.01

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## 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 Limited. ASX code PPC.

### Website Address

[www.peet.com.au](http://www.peet.com.au)

The Company website offers the following features:

Investor relations page with the latest company announcements.

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

Access to annual and half year reports.

### Registry

#### Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace

Perth WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

[www.computershare.com](http://www.computershare.com)

## CORPORATE DIRECTORY

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### PEET LIMITED

A.B.N 56 008 665 834

Website Address - [www.peet.com.au](http://www.peet.com.au)

#### Directors

Tony Lennon, Chairman

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

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

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

Telephone (08) 9420 1111 | Facsimile (08) 9481 4712

[www.peet.com.au](http://www.peet.com.au)

**PEET**