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23 August 2006

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

Dear Sir / Madam

FULL YEAR RESULTS ANNOUNCEMENT

Please find attached our media release and profit announcement, together with our Appendix 4E.

Yours faithfully
PEET LIMITED

**DOM SCAFETTA
COMPANY SECRETARY**

23 August 2006

Peet delivers another record result - targeting 15% growth for FY07

111 year old fund and asset manager Peet Limited today announced a record profit from operations of \$36.8 million for the year ended 30 June 2006 – a 24% increase on the previous year and its third consecutive report of NPAT growth since listing in 2004.

The company announced a final dividend of 9.5 cents per share to give 17 cents per share (fully franked) in respect of FY06 or 24.3 cents per share before tax, allowing for the 100% franking.

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

Managing Director, Warwick Hemsley said that the results were driven by solid profits from both funds management activity and company owned asset management.

“Peet Limited’s land bank diversification has helped deliver our continued strong results, together with the consistent delivery of the Company’s strategy continuing to leverage our land bank and expertise into an expanded range of asset management and funds management services,” Mr Hemsley said.

“This year, 53% of earnings before tax was delivered by our operations in Victoria and Queensland, and we are well positioned to continue to take advantage of the best of market conditions throughout Australia.”

“The Company’s track record of consistently delivering quality returns to shareholders is underpinned by the strength and diversity of its business model, its high calibre management team and its ability to respond to changing market cycles,” Mr Hemsley said.

During the year, Peet Limited successfully completed three syndications for land assets in Western Australia and Victoria – totalling \$48 million – cementing its position as Australia’s leading retail land syndicator.

The Company’s Income Property Fund achieved a yield of 8.75%, 100% tax deferred, together with an 11% increase in the value of its underlying portfolio of commercial and industrial properties in Queensland and Western Australia.

Continuing its core business activity in residential land estates, Peet posted record sales for the year of 2427 lots across the Group – an increase of 16.3% – for a total gross settlement value of more than \$355 million. At the end of the period, Peet and its managed entities had in excess of 1220 lots that had sold but were yet to settle for a value of \$214 million.

Managing the third largest land bank of Australia’s ASX-listed companies, Peet continued its ongoing program of acquiring well-located land assets in Western Australia, Victoria and Queensland, with the acquisition of 4279 lots during the year. The estimated current market value of the Peet managed and owned land bank is now \$4.6 billion as fully developed lots.

Expansion of Peet’s business activity of fund and asset management is set to continue, and a range of new land acquisitions and syndicate capital raisings are among the key drivers of business activity for FY07.



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Assuming a continuation of prevailing market conditions, the company has a target NPAT growth of 15% for FY07 being \$42.35m (or some \$60m pre-tax).

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ENDS

FURTHER INFORMATION

PEET LIMITED (PPC) - FINANCIAL RESULTS 30 JUNE 2006

GROUP FINANCIAL HIGHLIGHTS

- Net profit after tax increased by 24.3% to \$36.8 million
- Third consecutive year of NPAT growth since listing
- Earnings per share increased by 24.3% to 18.4 cents per share
- Declared final dividend of 9.5 cents per share fully franked to give full dividend for 2006 year of 17 cents per share or 24.3 cents per share before tax allowing for the 100% franking
- Gearing ratio conservative at 36% (net bank debt/total assets – adjusted for market value)
- Company has operated continuously since 1895
- Target NPAT growth for FY07 of 15% to \$42.35M, assuming a continuation of prevailing market conditions

OPERATIONAL HIGHLIGHTS

Funds Management

Land Syndication

- Segment result increased by 12.3% to \$28.8 million for Funds Management - Land Syndication

The result was influenced by sound demand for residential land in Western Australia and a steady market in Victoria and Queensland.

The Company completed three successful syndications during the year – all closing early and oversubscribed. Two of the capital raisings funded parcels of land totalling 130 hectares at Cranbourne, in Melbourne's south-east, and a third for a 20-hectare land parcel at Byford, in Perth's south-east, all in growth corridors serviced by rail.

Peet's syndicate pipeline is well established for FY07 and is set to continue to grow throughout the financial year and beyond.

Solid economic conditions in Western Australia and expected stable market conditions in Victoria and Queensland should result in good performance from this division during 2007.

Peet Income Property Fund (PIPF)

- Expanded to 560 unitholders in first 12 months
- \$34 million funds under management
- Over 14% income and capital growth for FY06
- New properties purchased in WA provide strong base for further growth

The above results were achieved in a competitive market from the Fund's portfolio of commercial and industrial properties in Queensland and Western Australia.

During the year, the Fund acquired two fully leased and strategically located industrial properties in Perth.

Asset Management - Owned Land

- Segment result increased by 16.9% to \$21.4 million

This improved result was due to increased settlements with soundly performing projects in Victoria and WA gaining momentum. With further expansion of existing estates – such as Greenvale Lakes in Victoria – and new estates due to be launched over 2007, the Company expects to continue to drive growth in this segment during FY07 and beyond.

Asset Management - Joint Ventures

- Segment result increased by 3% to \$0.9 million

With this segment still in its formative stages, the improved result was driven by sound sales achieved at The Village at Wellard, a joint venture with the WA State government in the fast-growing locality of Wellard in the south-western suburbs of Perth.

During the year, work also commenced on the Quattro urban renewal project in Queens Park, Western Australia, being undertaken for the WA State government.

Landbank Growth

- 4279 lots acquired during the year to June 30, 2006
- Land bank now represents an end value of \$4.6 billion upon completion as developed lots in today's dollars
- Many further acquisitions under due diligence
- New acquisitions to feed FY07 syndication pipeline

The additional lots acquired comprise a combination of residential and potential industrial lots.

OUTLOOK

Expansion and diversification of Peet's business activities is set to continue, and a range of new land acquisitions and syndicate capital raisings in the Funds Management area are among the key drivers of business activity for 2007.

The Company intends to continue its strategy of leveraging its land bank and expertise into an expanded range of property and fund management services. Plans for 2007 include identifying further opportunities within its landbank for residential and retail developments, retirement housing – already underway – and further diversification into areas such as child-care facilities.

Peet Limited is in an excellent position to continue to provide its shareholders and investors with strong and growing returns through the consistent delivery of its long-term strategy as a fund and asset manager. Assuming a continuation of prevailing market conditions, the Company is targeting 15% NPAT growth for FY07 being \$42.35M.

PEET

Peet Limited

Preliminary final report for year ended 30 June 2006

APPENDIX 4E

**Preliminary Final Report
For the year ended 30 June 2006**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Entity: Peet Limited and its controlled entities
 Reporting Period: 30 June 2006
 Previous Corresponding: 30 June 2005

					\$'000
Revenue	up	57.2%	to		113,626
Profit attributable to the members of Peet Limited	up	24.4%	to		36,834

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

Dividends	Cents per security	%Franked per security
Current Period		
Final dividend	9.5 cents	100%
Interim dividend	7.5 cents	100%
	17.0 cents	
Previous Period		
Final dividend	9.5 cents ¹	100%
Interim dividend	5.0 cents	100%
	14.5 cents	

¹ includes a further final dividend of 2.5 cents paid in respect of the 2005 financial year

Record date for determining entitlements to dividends
Dividend payment date

22 September 2006
 17 October 2006

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REVIEW OF OPERATIONS

FOR THE YEAR ENDED 30 JUNE 2006

The Directors present their report on the Consolidated Entity consisting of Peet Limited (“the Company”) and the entities it controlled (“the Group”) during the year ended 30 June 2006.

Directors

The Directors of Peet Limited during the whole of the year and up to the date of this report are;

Non-executive Directors

Tony Lennon (Chairman)

Stephen Higgs

Graeme Sinclair

Executive Directors

Warwick Hemsley (Managing Director)

Anthony Lennon

Review of Operations

The Company achieved a profit after tax of \$36.8 million for the financial year ended 30 June 2006, reflecting a 24.4% increase on the previous corresponding period and in line with recent forecast guidance of \$36.4 million.

Basic earnings per share increased by 24.3%, from 14.8 cents to 18.4 cents.

The Company achieved an excellent result for the year, driven by solid profits from each of the operating divisions of its funds management and asset management business.

The diversification of the Company’s business resulted in 53% of this year’s EBIT coming from Victoria and Queensland.

Expansion of the Company’s business activities continues and a range of new land acquisitions and syndicate capital raisings are among the key drivers of business activity for 2007.

The Company’s track record of consistently delivering quality returns to shareholders is underpinned by the strength and diversity of its business model, and its ability to respond to changing market cycles.

At the end of the financial year, gearing was maintained at a conservative 36%.

Summary of Financial Highlights

- Profit after tax increased by 24.4% on the previous corresponding period to \$36.8 million
- Earnings Per Share increased by 24.3% to 18.4 cents
- Gearing ratio of 36% (net bank debt/total assets – adjusted for market value)
- Final dividend of 9.5 cents fully franked to give total dividend for FY06 of 17 cents or 24.3 cents before tax allowing for 100% franking

REVIEW OF OPERATIONS (continued)

FOR THE YEAR ENDED 30 JUNE 2006

The following table details the Company's revenue and profit for 2006, compared to the previous corresponding period.

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

The profit after tax for the year ended 30 June 2006 is \$36.8 million compared to \$29.6 million (AIFRS adjusted) for the previous year. This earnings growth is due to a significant increase in sales and settlements achieved during the year in the funds management and asset management businesses.

The Company sold more than 2,400 lots from its syndicated, joint venture and owned projects in the period grossing in excess of \$355 million in sales revenue. At the end of the period the Company had in excess of 1,220 lots across all projects that had sold but were yet to settle for a value of \$214 million.

Funds Management / Land Syndication

Revenue from land syndication increased by 23.2% on the previous corresponding period to \$39.5 million resulting in an 11.6% increase in pre-tax earnings to \$28.7 million. The improved result was influenced by sound demand for residential land in Western Australia and a steady market in Victoria and Queensland.

The first half of the financial year saw the Company syndicate a 66-hectare parcel of land at Cranbourne in Melbourne's south-east. In the second half of the financial year, the Company launched capital raisings for two new land syndicates – a 20-hectare land parcel in Byford, Western Australia and a further 64-hectare land parcel in Cranbourne East, Victoria.

The Company's land syndicate pipeline is well established for FY07 and set to continue to grow through the coming financial year and beyond.

During the year, Peet Income Property Fund (PIPF) expanded to have more than 560 members as at 30 June 2006 and approximately \$34 million funds under management. PIPF achieved a yield of 8.75%, 100% tax-deferred for the year ended 30 June 2006, in addition to an 11% increase in the value of its underlying property portfolio.

In a very competitive market, the Fund was able to acquire two strategically located industrial properties in Perth.

PIPF is forecasting a 100% tax-deferred yield of 8.25%, based on a current unit price of \$1.11 for the 2007 financial year.

REVIEW OF OPERATIONS (continued)

FOR THE YEAR ENDED 30 JUNE 2006

Asset Management – Owned Land

The segment result for owned projects improved by 16.7% from \$18.3 million to \$21.4 million.

With continued population growth and strong employment, the economic fundamentals of the Australian residential market remain sound. Western Australia continues to out perform the rest of the country on the back of continued economic momentum – particularly in the mining and resources sectors – while the markets of Victoria and Queensland remain steady.

Asset Management - Joint Ventures

The division's result continued to improve – up approximately 2.9% from this time last year – with revenue increasing by 14.8%. The improved result was driven by sound sales achieved at The Village at Wellard, a joint venture development with the WA State Government in the fast growing locality of Wellard in the south-western suburbs of Perth.

During the year, work also commenced on the Quattro urban renewal joint venture project in Queens Park, Western Australia, being undertaken for the WA State Government. While already contributing to revenue, more substantial contributions from this project are expected to commence during the 2007 financial year.

Land Bank Growth

During the year, the Company continued its ongoing program of acquiring well-located land parcels in Western Australia, Victoria and Queensland. A total of 4,279 lots were acquired during the year comprising a combination of residential and potential industrial lots.

This year's land acquisitions increased the total number of lots managed and owned to 27,556 with a further 2,215 lots under conditional contract as at 30 June 2006.

Cash Flow and Gearing

Group cash flows remain strong. Operating cash flows supported by additional borrowings were predominantly used to acquire and develop land during the year. At year-end gearing (net bank debt/total assets – adjusted for market value) stood at 36% which remains within the Company's target range of 30% - 40%. Interest cover for the period was a strong 7.6 times.

Dividends

The Directors have declared a fully franked final dividend of 9.5 cents per share which will be paid on 17 October 2006. This lifts the total dividend for the year to 17 cents per share fully franked compared to last year's 14.5 cents per share, an increase of 17.2%. The total dividend for the year represents 92% of net profit after tax. The Company maintains a dividend payout ratio of 90%.

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

REVIEW OF OPERATIONS (continued)

FOR THE YEAR ENDED 30 JUNE 2006

International Financial Reporting Standards

As required under the Corporations Act 2001, Peet Limited adopted Australian Equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005. The financial report for the year to 30 June 2006 is the Company's first report under the new accounting standards. Comparative financial information is presented applying AIFRS for transition adjustments to the opening balance sheet as at 1 July 2004 and to restate financial year ended 2005 comparative earnings.

In summary, the adoption of AIFRS has had no significant impact on cash flows, dividend policies or future earnings of the Company. The key areas where AIFRS has impacted upon Peet Limited are detailed in Note 15 to the financial statements.

Outlook

Peet looks forward to FY07 with confidence as a result of the following influences:

- conservative level of gearing;
- respected management capability;
- expected favourable market conditions in Western Australia; and
- expected stable market conditions in Victoria and Queensland.

The diversity of Peet's business model combined with recent significant additions to our land bank and assuming a continuation of prevailing market conditions well positions the Company to target earnings growth of 15% to \$42.35 million in 2007. The uplift in earnings will be achieved via the origination of new land syndicates, new development projects and expansion of the income property funds management business. Peet Limited continues to identify opportunities within our land bank for retail centres, medical centres, child-care centres and retirement housing opportunities in order to leverage our land bank and expertise into related property areas.

Rounding off

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

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



Warwick Hemsley
MANAGING DIRECTOR
22 August 2006

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated	
		2006 \$'000	2005 \$'000
Revenue	3	113,626	72,274
Change in inventories		58,015	31,147
Purchases & other inventory costs		(95,697)	(45,331)
Employee benefits expense		(10,392)	(6,945)
Depreciation		(290)	(166)
Finance costs		(1,093)	(1,281)
Project management, selling and other operating costs		(6,737)	(3,773)
Office costs		(1,317)	(883)
Other expenses		(3,743)	(1,863)
Share of net profit/(loss) of associates accounted for using the equity method		74	(21)
Profit before income tax	4	52,446	43,158
Income tax expense	5	(15,612)	(13,555)
Profit attributable to members of Peet Limited		36,834	29,603
Earnings per share for profit attributable to the equity holders of the company:			
Basic earnings per share (cents)	9	18.4	14.8
Diluted earnings per share (cents)	9	18.3	14.8

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

BALANCE SHEETS

AS AT YEAR ENDED 30 JUNE 2006

	Notes	Consolidated	
		2006 \$'000	2005 \$'000
CURRENT ASSETS			
Cash and cash equivalents		18,532	17,436
Receivables		39,320	27,709
Inventories		18,069	36,017
TOTAL CURRENT ASSETS		75,921	81,162
NON-CURRENT ASSETS			
Receivables		-	178
Inventories		160,276	84,313
Investments accounted for using the equity method	12	2,504	2,237
Available for sale financial assets		706	-
Property, plant and equipment		1,601	1,173
TOTAL NON-CURRENT ASSETS		165,087	87,901
TOTAL ASSETS		241,008	169,063
CURRENT LIABILITIES			
Payables		33,525	15,224
Borrowings		23,830	4,300
Current tax liabilities		3,069	6,728
Provisions		3,782	1,741
TOTAL CURRENT LIABILITIES		64,206	27,993
NON-CURRENT LIABILITIES			
Payables		11,286	3,018
Borrowings		111,050	88,640
Deferred tax liabilities		7,786	5,998
Provisions		30	-
TOTAL NON-CURRENT LIABILITIES		130,152	97,656
TOTAL LIABILITIES		194,358	125,649
NET ASSETS		46,650	43,414
EQUITY			
Contributed equity	8	1,479	1,479
Reserves		749	343
Retained profits		44,422	41,592
TOTAL EQUITY		46,650	43,414

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated	
	2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year	43,414	23,473
Profit for the year	36,834	29,603
<hr/>		
Transactions with equity holders in their capacity as equity holders:		
- Employee share options	406	339
- Dividends provided for or paid	(34,004)	(10,001)
<hr/>		
Total equity at the end of the financial year	46,650	43,414

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated	
		2006 \$'000	2005 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		118,515	74,043
Payments to suppliers and employees (inclusive of GST)		(99,234)	(64,042)
Dividends received		87	56
Interest received		1,087	689
Trust distributions received		-	105
Interest and other finance costs paid		(8,204)	(5,879)
Income tax paid		(17,472)	(10,216)
Net cash (outflow) from operating activities	10	(5,221)	(5,244)
Cash flows from investing activities			
Payments for property, plant and equipment		(720)	(533)
Proceeds from sale of investments in associates		2	-
Proceeds from sale of available for sale financial assets		1,913	-
Payments for investments in associates		(205)	(93)
Payments for investments in available for sale financial assets		(2,618)	-
Proceeds from capital returns		9	129
Net cash (outflow) from investing activities		(1,619)	(497)
Cash flows from financing activities			
Dividends paid		(34,004)	(10,001)
Loans to related entities		(3,754)	(3,150)
Loan repayments from related entities		3,754	5,708
Repayments of borrowings		(64,890)	(27,220)
Proceeds from borrowings		106,830	51,820
Net cash inflow from financing activities		7,936	17,157
Net increase in cash and cash equivalents		1,096	11,416
Cash and cash equivalents at the beginning of the financial year		17,436	6,020
Cash and cash equivalents at the end of the financial year		18,532	17,436

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

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

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

(a) Basis of Preparation

The preliminary financial statements relate to Peet Limited and the entities it controlled at the end of, or during the year ended 30 June 2006. They have been prepared in accordance with the recognition and measurement requirements of Australian Equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

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

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

These financial statements are the first full year financial statements for the consolidated entity to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of the Group until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The consolidated entity has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments : Disclosure and Presentation* and AASB 139 *Financial Instruments : Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 15.

Early adoption of standards

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

This includes applying the standards to the comparatives in accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

(b) Principles of Consolidation

(i) Subsidiaries

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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.

(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. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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 reduce the carrying amount of the investment in the consolidated financial statements.

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

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

(iii) Joint Ventures

Jointly Controlled Operations

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

(d) Income Tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the 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 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.

(e) Acquisition of Assets - Deferred Settlement of Cash Consideration

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

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

(g) Property, Plant and Equipment

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

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

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

- Furniture, fittings and equipment 1 - 5 years

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

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

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

(h) Revenue Recognition

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

Sale of Land

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

Project Management and selling fees

Project management and selling fees are recognised on the signing of a contract, in accordance with underlying agreements.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

(j) Trade Receivables

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

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

(k) Inventories

Land held for development and resale and syndication 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 relate to land which is not expected to be sold within the next 12 months.

(l) Investments and Other Financial Assets

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

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

Adjustments on transition date 1 July 2005

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

From 1 July 2005

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

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

(l) Investments and Other Financial Assets (continued)

(ii) Available-for-sale financial assets

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

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

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income within other income or other expenses in the period in which they arise.

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

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

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

(m) Trade and Other Payables

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

(n) Borrowings

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

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

(o) Borrowing Costs

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

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

(p) Dividends

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

(q) Employee Entitlements

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

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

(ii) *Long Service Leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Share Based Payments*

Share based compensation benefits are provided to employees via the Employee Option Plan and an employee share scheme.

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

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

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

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

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

Under the employee share option plan (ESOP), options issued to employees for no cash consideration vest over a three year period after grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

(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.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

(r) Rebates

The Company may be required under the terms of certain sale contracts to provide rebates for expenditures undertaken by land holders in respect of Peet developments. These expenditures relate to landscaping and fencing and are generally payable where the land purchaser completes the construction of their dwelling within a specified period of time. This period is generally twelve to eighteen months from the date of settlement. A liability is recorded at settlement and a related adjustment to revenue is recorded upon the expiration of the time limit if the rebate has not been paid.

(s) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg 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.

(t) Fair Value Estimation

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

The fair value of financial instruments traded in active markets 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 is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

(u) Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

(v) Earnings Per Share

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

(w) Goods and Services Tax (GST)

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

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 flow.

(x) Rounding of Amounts

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

(y) Financial instrument transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the Group was immaterial.

(z) New accounting standards and UIG interpretations

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

NOTES TO THE FINANCIAL STATEMENTS

2 Segment Information

Business Segments

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

Funds Management /Land Syndication

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

Land Development

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

Joint Venture Operations

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

Geographical Segments

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

NOTES TO THE FINANCIAL STATEMENTS

2 Segment Information (continued)

Primary Reporting – Business Segments

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

NOTES TO THE FINANCIAL STATEMENTS

3 Revenue

	Consolidated	
	2006 \$'000	2005 \$'000
Revenue from sale of land	80,290	45,075
Revenue from project management fees, selling fees, and other trading activities	31,425	25,919
	111,715	70,994
Other revenue		
- Dividends	87	56
- Trust distributions	-	10
- Interest	1,087	642
- Other	737	572
	1,911	1,280
	113,626	72,274

4 Profit before income tax

	Full Year	
	2006 \$'000	2005 \$'000
Profit before income tax includes the following items of revenue and expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the full year:		
Expenses		
Cost of sales:		
- Land and development costs	37,682	14,184
Finance costs:		
- Interest and finance charges	8,204	5,879
- Amount capitalised	(7,111)	(4,598)
Finance costs expense	1,093	1,281

NOTES TO THE FINANCIAL STATEMENTS

5 Income Tax

	Consolidated	
	2006 \$'000	2005 \$'000
Income tax expense		
Current Tax	14,211	11,102
Deferred Tax	1,641	1,949
(Over) under provided in prior years	(240)	504
	15,612	13,555
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	52,446	43,159
Tax at Australian tax rate of 30% (2005: 30%)	15,734	12,948
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Entertainment	23	12
Employee benefits	122	102
Sundry	11	13
Franking Rebate	(38)	(24)
(Over) under provision in prior years	(240)	504
Income tax expense	15,612	13,555

NOTES TO THE FINANCIAL STATEMENTS

6 Dividends

	Full Year	
	2006 \$'000	2005 \$'000
Ordinary shares		
Dividends provided for or paid during the full year	34,004	10,001

	Cents per share	Total Amount \$'000	Date of Payment	Franked/ Unfranked
Dividends recognised in the current year by the Company are:				
2006				
Interim 2006 ordinary	7.5	15,002	19 April 2006	Franked
Final 2005 ordinary	2.5	5,001	16 December 2005	Franked
Final 2005 ordinary	7.0	14,001	20 October 2005	Franked
Total amount	17.0	34,004		
2005				
Interim 2005 ordinary	5.0	10,001	20 April 2005	Franked
Total amount	5.0	10,001		
Franked dividends declared or paid during the period were franked at the tax rate of 30%				
Subsequent events				
Since the end of the year, the directors declared the following dividend:				
Final 2006 ordinary	9.5	19,002	17 October 2006	Franked

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

7 Dividend Reinvestment Plan ("DRP")

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

NOTES TO THE FINANCIAL STATEMENTS

8 Contributed Equity

	Full Year		Full Year	
	2006 Number of Shares	2005 Number of Shares	2006 \$'000	2005 \$'000
Issues of ordinary shares during the full year Issued for no consideration:				
Employee share scheme	-	23,324	-	-
	2006 Number of Options	2005 Number of Options	2006 \$'000	2005 \$'000
Issue of options during the full year Issued for no consideration:				
Employee share option scheme	600,000	1,847,000	-	-

9 Earnings Per Share

	2006 Cents	2005 Cents
Basic earnings per share	18.4	14.8
Fully Diluted earnings per share	18.3	14.8
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	200,023,324	200,023,324
Weighted average number of ordinary shares used as the denominator in the calculation of diluted earnings per share	201,618,846	200,572,978

NOTES TO THE FINANCIAL STATEMENTS

10 Notes to the Statement of Cash Flows

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

	Consolidated	
	2006 \$'000	2005 \$'000
Profit for the year	36,834	29,603
Add non cash items:		
- Depreciation	290	166
- Loss on sale of non-current assets	1	1
- Employee Share based payments	406	339
- Equity accounting for investments in associates	(74)	21
Change in operating assets and liabilities during the financial year:		
- (Increase) in receivables	(11,284)	(98,005)
- (Increase) in inventory	(49,987)	(33,631)
- (Decrease) in income taxes payable	(3,580)	(2,379)
- Increase in trade creditors	18,322	4,507
- Increase in provisions	2,144	1,435
- Increase in deferred tax liability	1,707	2,698
Net cash (outflow) from operating activities	(5,221)	(5,244)

NOTES TO THE FINANCIAL STATEMENTS

11 Details of entities over which control has been gained or lost during the period

During the year ended 30 June 2006 the Company established the following wholly owned subsidiaries:

Name	Date of incorporation
Peet Cranbourne Syndicate Limited	5 July 2005
Peet Cranbourne Central Syndicate Limited	5 July 2005
Peet No 85 Limited	5 July 2005
Peet Byford Syndicate Limited	25 October 2005
Peet No 87 Limited	25 October 2005
Peet No 88 Limited	25 October 2005
Peet No 89 Limited	29 November 2005
Peet No 90 Limited	29 November 2005
Peet No 91 Limited	29 November 2005
Peet No 92 Limited	10 January 2006
Peet No 93 Limited	10 January 2006
Peet No 94 Limited	10 January 2006
Peet No 95 Limited	20 January 2006
Peet No 96 Limited	20 January 2006
Peet No 97 Limited	20 January 2006
Peet No 98 Limited	9 February 2006
Peet No 99 Limited	9 February 2006
Peet No 100 Limited	9 February 2006
Peet No 101 Limited	9 February 2006
Peet No 102 Limited	9 February 2006
Peet No 103 Limited	9 February 2006
Peet No 104 Limited	10 April 2006
Peet No 105 Limited	10 April 2006
Peet No 106 Limited	10 April 2006
Peet No 107 Limited	10 April 2006
Peet No 108 Limited	10 April 2006
Peet No 109 Limited	10 April 2006

During the year ended 30 June 2006, Peet Cranbourne Syndicate Limited ("Cranbourne") issued shares to the public via a prospectus dated 28 October 2005. As at 31 October 2005, Cranbourne was no longer a controlled entity.

During the year ended 30 June 2006, Peet Byford Syndicate Limited ("Byford") issued shares to the public via a prospectus dated 28 April 2006. As at 30 April 2006, Byford was no longer a controlled entity.

During the year ended 30 June 2006, Peet Cranbourne Central Syndicate Limited ("Cranbourne Central") issued shares to the public via a prospectus dated 25 May 2006. As at 31 May 2006, Cranbourne Central was no longer a controlled entity.

NOTES TO THE FINANCIAL STATEMENTS

12 Investments Accounted for using the Equity Method

	Consolidated	
	2006 \$'000	2005 \$'000
Peet Caboolture Syndicate Limited	1,350	1,420
Other	1,154	817
	2,504	2,237

13 Contingent Liabilities

The consolidated entity and parent entity had contingent liabilities at 30 June 2006 in respect of guarantees and underwriting obligations of \$42,090,600 (30 June 2005: \$58,136,420).

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

14 Events Occurring after Reporting Date

There are no significant events occurring after reporting date.

NOTES TO THE FINANCIAL STATEMENTS

15 Explanation of Transition to Australian Equivalents to IFRSs

Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Consolidated		
		Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000
CURRENT ASSETS				
Cash and cash equivalents		6,265	-	6,265
Receivables		20,297	(1,278)	19,019
Inventories		23,937	(12,558)	11,379
Other assets		544	(544)	-
TOTAL CURRENT ASSETS	15e(i)	51,043	(14,380)	36,663
NON-CURRENT ASSETS				
Inventories		75,379	-	75,379
Investments	15e(v)	850	(850)	-
Investments accounted for using the equity method	15e(v)	1,443	850	2,293
Property, plant and equipment		655	-	655
TOTAL NON-CURRENT ASSETS		78,327	-	78,327
TOTAL ASSETS		129,370	(14,380)	114,990
CURRENT LIABILITIES				
Payables		8,909	(2,108)	6,801
Borrowings		245	-	245
Current tax liabilities		6,088	-	6,088
Provisions		1,653	(190)	1,463
TOTAL CURRENT LIABILITIES	15e(i)	16,895	(2,298)	14,597
NON-CURRENT LIABILITIES				
Payables		5,341	-	5,341
Borrowings		68,280	-	68,280
Deferred tax liabilities	15e(i)	6,925	(3,625)	3,300
TOTAL NON-CURRENT LIABILITIES		80,546	(3,625)	76,921
TOTAL LIABILITIES		97,441	(5,923)	91,518
NET ASSETS		31,929	(8,457)	23,472
EQUITY				
Contributed equity		1,479	-	1,479
Retained profits	15e(iii)	30,450	(8,461)	21,989
Share based payment reserve	15e(iv)	-	4	4
TOTAL EQUITY		31,929	(8,457)	23,472

NOTES TO THE FINANCIAL STATEMENTS

15 Explanation of Transition to Australian Equivalents to IFRSs (continued)

Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS) (continued)

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Consolidated		
		Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	AIFRS \$'000
CURRENT ASSETS				
Cash and cash equivalents		17,436	-	17,436
Receivables		28,842	(1,133)	27,709
Inventories		50,702	(14,685)	36,017
Other assets		797	(797)	-
TOTAL CURRENT ASSETS	15e(i)	97,777	(16,615)	81,162
NON-CURRENT ASSETS				
Receivables		178	-	178
Inventories		84,313	-	84,313
Investments	15e(v)	817	(817)	-
Investments accounted for using the equity method	15e(v)	1,420	817	2,237
Property, plant and equipment		1,173	-	1,173
TOTAL NON-CURRENT ASSETS		87,901	-	87,901
TOTAL ASSETS		185,678	(16,615)	169,063
CURRENT LIABILITIES				
Payables		16,981	(1,757)	15,224
Borrowings		4,300	-	4,300
Current tax liabilities		6,728	-	6,728
Provisions		2,099	(358)	1,741
TOTAL CURRENT LIABILITIES	15e(i)	30,108	(2,115)	27,993
NON-CURRENT LIABILITIES				
Payables		3,018	-	3,018
Borrowings		88,640	-	88,640
Deferred tax liabilities	15e(i)	10,348	(4,350)	5,998
TOTAL NON-CURRENT LIABILITIES		102,006	(4,350)	97,656
TOTAL LIABILITIES		132,114	(6,465)	125,649
NET ASSETS		53,564	(10,150)	43,414
EQUITY				
Contributed equity		1,479	-	1,479
Retained profits	15e(iii)	52,085	(10,493)	41,592
Share based payment reserve	15e(iv)	-	343	343
TOTAL EQUITY		53,564	(10,150)	43,414

NOTES TO THE FINANCIAL STATEMENTS

15 Explanation of Transition to Australian Equivalents to IFRSs (continued)

Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

(c) Reconciliation of profit for the year ended 30 June 2005

	Notes	Consolidated		AIFRS \$'000
		Previous AGAAP \$'000	Effect of Transition to AIFRS \$'000	
Revenue	15e(i)	76,914	(4,640)	72,274
Changes in inventories		31,147	-	31,147
Purchases and other inventory costs	15e(i)	(47,843)	2,512	(45,331)
Employee benefits expense	15e(ii)	(6,606)	(339)	(6,945)
Depreciation		(166)	-	(166)
Finance costs		(1,281)	-	(1,281)
Project Management, Selling and other operating costs	15e(i)	(3,483)	(290)	(3,773)
Office costs		(883)	-	(883)
Other expenses from ordinary activities		(1,863)	-	(1,863)
Share of net loss of associate accounted for using the equity method		(21)	-	(21)
Profit before income tax		45,915	(2,757)	43,158
Income tax expense	15e(i)	(14,280)	725	(13,555)
Profit attributable to members of Peet Limited		31,635	(2,032)	29,603

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

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

NOTES TO THE FINANCIAL STATEMENTS

15 Explanation of Transition to Australian Equivalents to IFRSs (continued)

(e) Notes to the reconciliations

(i) UIG 53 Development Land Sales and Expenditure Recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

15 Explanation of Transition to Australian Equivalents to IFRSs (continued)

Notes to the reconciliations

(ii) Share Based Employee Options

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

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

	Consolidated	
	As at 1 July 2004 \$'000	Year ended 30 June 2005 \$'000
Employee benefit expense	4	339

(iii) Retained Earnings

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

	Notes	Consolidated	
		As at 1 July 2004 \$'000	Year ended 30 June 2005 \$'000
UIG 53 adjustments	15e(i)	12,082	14,500
UIG 53 related deferred tax liability adjustments	15e(i)	(3,625)	(4,350)
Share-based payments	15e(ii)	4	343
Total		8,461	10,493

NOTES TO THE FINANCIAL STATEMENTS

15 Explanation of Transition to Australian Equivalents to IFRSs (continued)

(iv) Reserves

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

	Notes	Consolidated	
		1 July 2004 \$'000	30 June 2005 \$'000
Share-based payments	15e(ii)	4	343

(v) Classification of Investments in Syndicates

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

At 1 July 2004

For the consolidated group, a decrease in investments of \$850,000 and an increase in investments accounted for using the equity method of \$850,000.

At 30 June 2005

For the consolidated group, a decrease in investments of \$817,000 and an increase in investments accounted for using the equity method of \$817,000.

There is no significant impact on retained earnings for any of the above dates, or dividend income/share of profits of associates as at 1 July 2004 and for the year ended 30 June 2005.

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

The consolidated entity has applied AASB 132 - Financial Instruments: Disclosure and Presentation and AASB 139 - Financial Instruments: Recognition and Measurement from 1 July 2005.

For the consolidated group, investments decreased by \$1,000, and available for sale assets increased by \$1,000.