

ANNUAL REPORT 2010


SUCCESS THROUGH EXPERIENCE





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PEET VALUES

Integrity

We act with high integrity through open, honest and professional conduct.

Respect

We treat our team, customers and the environment with respect, dignity and equality.

Teamwork

We recognise the strength of working together and encourage the development of our people and the sharing of knowledge.

Adaptability

We embrace change and foster creativity, initiative, innovation and we embrace progressive thinking.

Accountability

We respect the responsibility invested in us and have ownership and the freedom to act to deliver constant improvements.

Customer service

We strive to deliver a high standard of prompt, efficient and courteous service to our customers; both internal and external.

BUSINESS OVERVIEW

Peet Limited is a national property and funds management group committed to growth and prosperity for our shareholders, investors and the residents of our quality, master-planned communities.

Peet Limited manages and markets Company-owned, syndicated and joint venture residential land developments across Australia that demonstrate best practice in planning and design, and excellence in environmental management and sustainability.

With 115 years of property experience, Peet is focussed on acquiring, developing and marketing land under a funds management model. Every new project presents an opportunity to set new standards in the creation of master-planned residential communities and achieve outstanding results for our shareholders and investors.

In the 2010 financial year, the strength of Peet's business model, disciplined management and clarity of direction and purpose delivered a very pleasing performance and solid platform for ongoing growth.



1/ Playground at Warner Lakes, Qld
2/ Train station, The Village at Wellard, WA
3/ Homebuyers at Skye Valley, Vic

PERFORMANCE AT A GLANCE

- > Statutory net profit after tax up 250% to \$42.1 million
- > Statutory earnings per share up 176% to 14.1 cents per share
- > Operating net profit after tax¹ up 35% to \$42.1 million
- > 2,567 lots sold for a gross value of \$601.5 million
- > 1,270 contracts on hand as at 30 June 2010 for a gross value of \$292.3 million
- > Gearing² at 29.5%
- > Full year dividend up 21% to 8.5 cents per share
- > Successful retail syndicate capital raising in November 2009 and new retail syndicate launched in September 2010

"PEET'S FULL YEAR DIVIDEND HAS INCREASED 21% TO 8.5 CENTS PER SHARE."

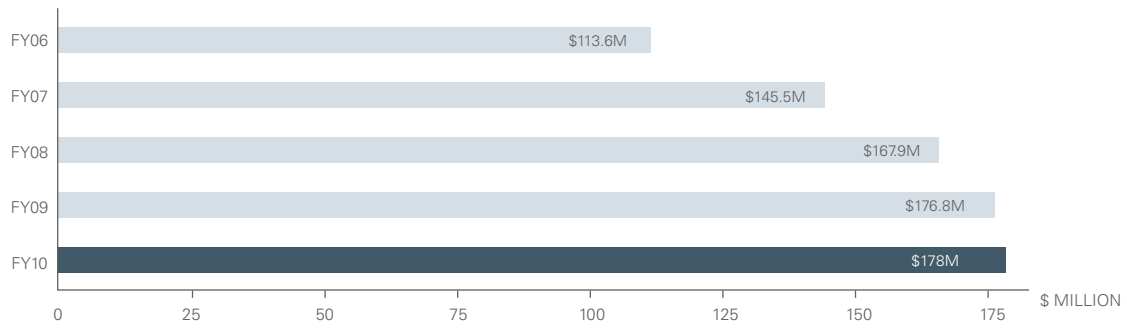


- 1/ Homebuyer at a land sales ballot at Quattro: The New Queens Park, WA
- 2/ Burns Beach Estate Display Village, WA
- 3/ Homebuyers at Sea Crest, NSW

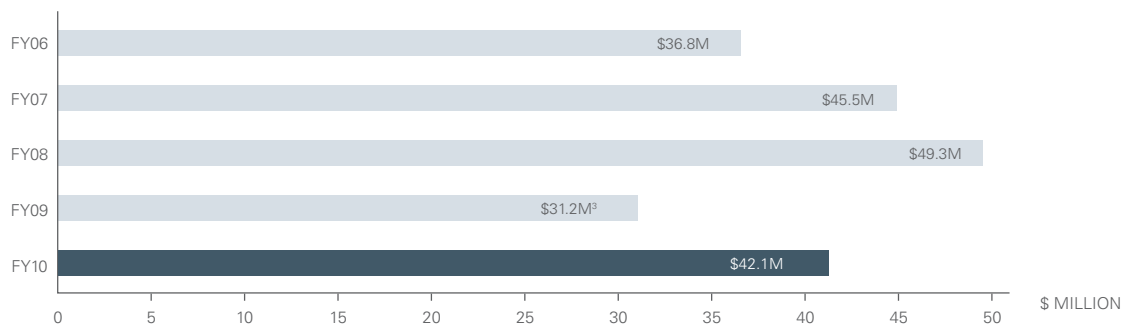
1. Pre FY09 write-downs

2. (Bank debt less cash) \ (Total assets adjusted for market value of inventory less land vendor liabilities and cash)

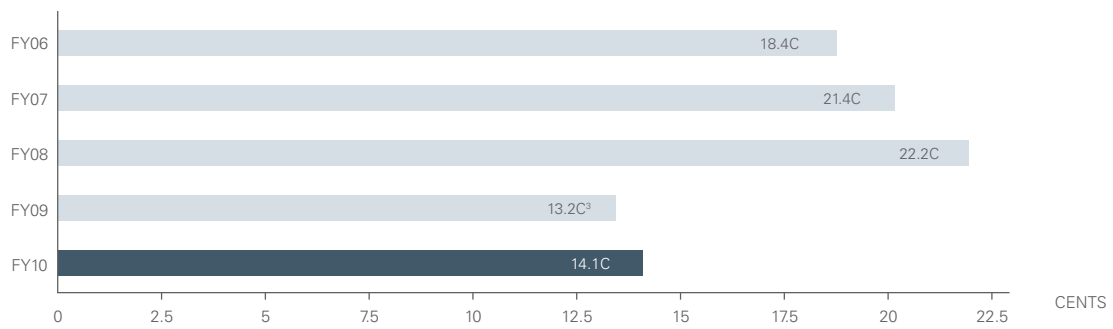
Group revenue



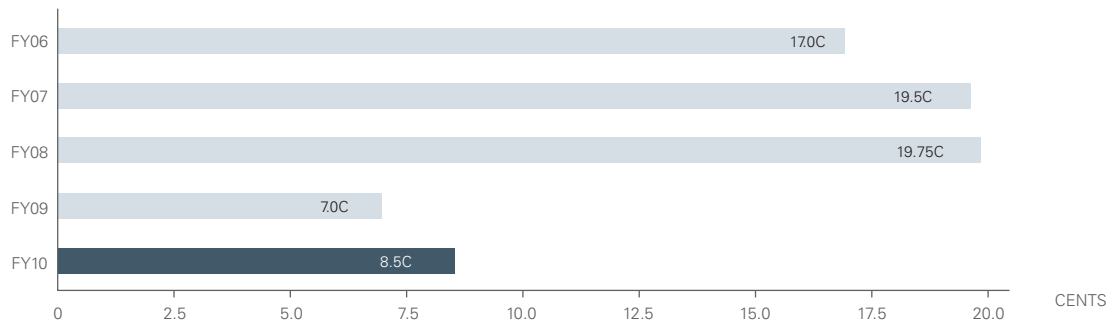
Operating net profit after tax



Operating earnings per share



Dividend per share



3. Pre FY09 write-downs

CHAIRMAN'S REVIEW

On behalf of the Peet Limited Board,
I am pleased to present the Peet 2010 Annual Report.

It shows that Peet has achieved significant results and performance for our shareholders. These results reflect our ongoing disciplined approach to financial and operational management across the business.

Sound management and clear strategic priorities have seen the Company emerge from last year's financial crisis in good shape and able to focus on future opportunities for responsible growth.

"THE PEET GROUP RECORDED AN INCREASE IN OPERATING NET PROFIT AFTER TAX TO \$42.1 MILLION AND AN INCREASE IN EARNINGS PER SHARE OF 176%."

We are committed to achieving growth of our business, increasing profits and increasing returns to our shareholders. At the same time, we have demonstrated throughout our 115 year history that we are also committed to the interests of all stakeholders in our communities, and to our environment.

However, a key challenge for the Australian economy and the land and housing industry is the effect of increasing interest rates, with a series of increases during the year and further rises possible during the 2011 financial year.

Nevertheless, Peet remains confident in the demand fundamentals of the residential property market in this country. Our assets are concentrated in Western Australia and Victoria, which have strong economies and significant forecast population growth, and we have a growing presence in Queensland.

We look forward to continuing to provide new land and housing supply to the growing Australian population in the years ahead.

The Directors are pleased to have declared a final fully franked dividend for the year of 4.5 cents per share, bringing the total dividend to 8.5 cents per share, fully franked. This is a 21% increase on the previous corresponding period.

The Board and management of Peet were also gratified and encouraged by the strong response to our syndicate capital raising during the year, the first post the impact of the global financial crisis. Known as the Peet Point Cook Kingsford Syndicate, it closed over-subscribed in November 2009. Construction of the Kingsford estate, just opposite our highly successful Innisfail estate in Victoria, commenced in March this year.

In September 2010, Peet announced another new syndicate opportunity. We look forward to welcoming new and existing investors into the Peet Yanchep Land Syndicate on whose behalf we plan to create an outstanding community in the coastal suburb of Yanchep, north of Perth.

Peet could not achieve success year after year without an outstanding management group. Their commitment to ethical and excellent performance brings out the best in the whole team at Peet Limited and flows through to the performance of the wide group of consultants and experts the Company engages on individual projects.

As always, I wish to thank and congratulate our Managing Director and CEO, Brendan Gore, and his team for their energy, commitment and skill. They deliver fine results for our shareholders and our syndicate investors, and provide continuing opportunities for our employees as part of a growing and dynamic company.

The Board of Peet Limited shares my confidence in the leadership qualities of our executive team led by Brendan Gore. The strength and efficiency of our business and our key relationships are a credit to them and our investors benefit directly from their commitment.

I also thank my Board colleagues – Graeme Sinclair, Stephen Higgs, Warwick Hemsley, Brendan Gore and Anthony Lennon – for another year of dedication and good counsel, and we wish to recognise and express our appreciation of Peet's Group Company Secretary, Dom Scafetta.

The Board of Peet Limited is very encouraged by the impressive manner in which the business has been managed and grown over the past year, and looks forward to a positive year ahead.

We believe that we have sound strategies in place for continued growth and increasing benefits to our shareholders.



Tony Lennon

Chairman

29 September 2010

MANAGING DIRECTOR'S AND CHIEF EXECUTIVE OFFICER'S REVIEW

Peet Limited has entered the new financial year confidently after a year of responsible consolidation and preparation for further growth.

Over the past 12 months Peet has maintained its strategic focus on the business in which we specialise – residential land development – and the Group has delivered growth and improvement in its operating businesses and has strengthened its capital position.

The Group achieved a 35% uplift in net operating profit after tax to \$42.1 million over the past year. This was driven by improving sales prices and the delivery of operating cost efficiencies, resulting in an improved earnings before interest and tax margin of 42%.

Peet achieved revenue of \$178 million, while reducing debt and gearing levels, evidencing the benefits of our disciplined commitment to our ongoing business strategy.

More than 2,360 owned and managed lots were settled during the year, with a gross value of \$510 million. Sales of owned and managed lots during the year increased to more than 2,560 and a record number of 1,270 contracts, with a gross value of \$292 million, were on hand at 30 June 2010.

The contracts on hand at year end represented an increase of 21% in the number of lots and a 49% increase in the total value of those contracts on hand compared with the same time last year, and provide a solid start to FY11.

The Group's performance was driven in the first half of the year by an active first homebuyer market responding to the final months of the Federal Government's First Home Owner Boost and, in the second

half, by the strengthening upgrader and investor market.

While a series of interest rate rises in the second half of the year increased pressure on housing affordability, continuing State Government-administered incentives for first homebuyers, in particular in Victoria, assisted in maintaining sound interest from first homebuyers.

Our funds management business continued to perform well over the past year. Earnings from this business area grew by 20% with operating margins increasing to 70% for the period.

At year end, Peet was managing 28 syndicated properties, with an on-completion value of \$3.5 billion, on behalf of 25 syndicates. Nineteen of those projects are under development with a further nine in the planning pipeline.

Peet's syndicated lots make up more than half of Peet's total land bank which, at year end, stood at more than 32,700 lots with an on-completion value of \$7 billion in today's dollars.

Our syndicated portfolio includes a 243-hectare land holding at Alkimos, north of Perth, where construction work towards a 3,300 dwelling community, complete with coastal village and a high level of amenity, commenced during the year. Almost 200 homesites are already under contract and preparations for the launch of WA's major charity home – the 2010 Peet Telethon Home at Shorehaven by In-Vogue – were well advanced at year end.

The Company is actively assessing opportunities to build on its already sizeable land bank and moved quickly in the new financial year to expand its syndicate platform nationally with a 1,500-lot master-planned community at Yanchep in the same northern coastal corridor of Perth.

The \$62 million Peet Yanchep Land Syndicate is expected to meet strong underlying demand from our growing investor base.

Peet was also pleased to work with more than 60 builders to launch an industry-first online initiative during the year. The Peet House and Land website uses advanced technology to allow homebuyers to mix and match land at Peet estates with new home designs that meet their individual needs and budgets.

The site has had a tremendous response from homebuyers looking for an easier, faster way to compare options at Peet estates and will be further enhanced in the future.



1/ Public art at The Village at Wellard, WA
2/ Innisfail, Vic



“PEET ACHIEVED REVENUE OF \$178 MILLION, WHILE REDUCING DEBT AND GEARING LEVELS, EVIDENCING THE BENEFITS OF OUR DISCIPLINED COMMITMENT TO BUSINESS STRATEGY.”

Despite a reasonable level of optimism fuelled by improved economic conditions in Australia and the recovery in the residential property market through 2010, some significant challenges remain for the sector. These include:

- the impact on affordability from recent interest rate rises, along with additional increases in bank variable mortgage rates;
- the timing for the provision of infrastructure to meet Australia’s projected population growth; and
- continued delays in land development approvals processes.

Nonetheless, the longer-term property market fundamentals remain very sound, including population growth in all key markets and in the growth corridors where Peet’s land is concentrated.

There remains an undersupply of housing and Peet has a large land bank to continue to bring to the market as new subdivided lots.

Peet will maintain the same disciplined, strategic approach to capital management that has served the business so well in recent years. Peet ended the 2010 financial year with strong operating cash flow; a reduction in net debt; and reduced gearing which stood at 29.5%.

The Company continued to comply with all of its debt covenants during the year and, at the time of reporting, had advanced discussions to extend its current debt term as part of its ongoing approach to responsible debt management.

In the year ahead, Peet will maintain a clear, strategic focus to further enhance its business model to deliver growth. We will do this by:

- continuing to expand our syndication platform nationally;
- improving market share in existing and new growth corridors;
- a continued focus on the residential land development and funds management businesses;
- remaining proactive and prudent in our capital management, by releasing capital from our land bank to improve operating cash flow and maintain gearing levels within the Board’s target range; and
- a continued strong commitment to responsible and outstanding environmental practice across our operations.

Peet’s national team is dedicated to delivering on these commitments and I thank our entire team for their contribution towards another successful year.

I take this opportunity, on behalf of the entire Peet team, to thank Peet Limited’s Chairman, Tony Lennon and the Board for their advice and support throughout the year.

I would also like to thank our shareholders and syndicate investors to whom we are committed to delivering another period of solid returns in the year ahead.

Peet moves into the new financial year with a strong balance sheet, good banking relationships, a significant land bank and an experienced management team – well positioned to assess and optimise opportunities for growth.

Brendan Gore
Managing Director and CEO
29 September 2010

OPERATIONAL REVIEW

At year end, there were 1,270 contracts on hand with a value of \$292.3 million – representing a 49% increase in the value of contracts on hand compared with the same time last year.

GROUP PERFORMANCE

Peet continues to benefit from good exposure to strong markets for land in the growth corridors of Melbourne, Perth and Brisbane.

The Group's performance was driven in the first half of the year by an active first homebuyer market responding to the final months of the Federal Government's First Home Owner Boost and, in the second half, by the strengthening upgrader and investor market – a trend expected to continue in FY11.

Settlements were achieved on 2,366 Company-owned and managed lots during the year – up 4% on FY09 – for a total gross value of \$510 million and there were total sales of 2,567 owned and managed lots during the period.

At year end, there were 1,270 contracts on hand, with a value of \$292.3 million. This represents an increase of 21% in the number of contracts on hand and a 49% increase in the value of contracts on hand compared with the same time in the previous year. The value of contracts on hand at 30 June 2010 provides a very promising start to the new financial year.

Some 36 projects made a contribution to revenue during the period. It is expected that sales will commence at up to an additional four projects in the year ahead.

Project portfolio

Peet currently manages 69 residential land development projects nationally.

As at 30 June 2010, Peet's land bank of owned and managed lots was the equivalent of approximately 32,700 lots with an on-completion value of \$7 billion. The weighted average age of the land bank is just over seven years.

More than 17,000 of those lots, spread across 34 projects, make up the syndicated and managed development pipeline. More than half are currently under development with others in the planning phase.

Peet's land bank represents almost 13 years' supply, based on current production rates.

The Company builds its land bank with strategic acquisitions of property in growth areas, close to existing or planned infrastructure. In the year ahead, it will continue to assess acquisition opportunities in the context of market conditions and growth prospects.

"PEET'S LAND BANK REPRESENTS ALMOST 13 YEARS' SUPPLY, BASED ON CURRENT PRODUCTION RATES. "

Capital management

Peet is well positioned for future growth and remains committed to the implementation of its ongoing capital management strategy. That strategy is characterised by a proactive approach to debt management; close attention to inventory management (to release capital as required) and a very cost-conscious approach across the business.

During the year, the Company generated \$65 million in operating cash flow (excluding payments for land), influenced by a continued focus on working capital; increases in average sales prices; fewer cancellations of lot sales contracts and improving cost efficiencies.

"DURING THE YEAR, PEET GENERATED \$65 MILLION IN OPERATING CASH FLOW. "

HIGHLIGHTS

- Group revenue of \$178 million
- More than 2,560 owned and managed lots sold – up 7%
- More than 2,360 owned and managed lots settled – up 4% – with a gross value of \$510 million
- 1,270 contracts on hand with a gross value of \$292.3 million as at 30 June 2010 – value up 49%
- Total land bank of 32,700 lots with an on-completion value of \$7 billion

Peet's other notable elements of capital management during the year included:

- a reduction in net debt to \$179 million;
- a weighted average debt maturity profile of 1.9 years at 30 June 2010;
- Group interest cover of 3.4 times; and
- gearing⁴ of 29.5% at 30 June 2010.

The average cost of debt for the year ended 30 June 2010 was 7.1% (including margins). At year end, the Group's interest bearing debt was 93% hedged resulting in an average hedge maturity profile of 4.1 years.

Peet continued to comply with all of its debt covenants during the year and in the early part of the new financial year had advanced discussions to extend its current debt term as part of its ongoing approach to responsible debt management.



1



2



3

- 1/ Residents at Cardinia Lakes, Vic
- 2/ Homebuyers at Warner Lakes, Qld
- 3/ Residents at Sea Crest, NSW

4. (Bank debt less cash) \ (Total assets adjusted for market value of inventory less land vendor liabilities and cash)

COMPANY-OWNED PROJECTS

The Group sold more than 590 Company-owned lots for a total gross sales value of \$158.1 million. This represented a 29% increase in the gross sales value achieved compared with the previous corresponding period.

A total of almost 450 lots were settled during the year contributing to revenue of \$117.8 million.

The total contribution to earnings from Company-owned projects (before interest and taxes)⁵ increased by 26% over the previous period to \$40.3 million.

At year end, there were more than 350 contracts on hand – an increase of 71% compared with the same time last year – for a total value of \$74.3 million.

Peet's Company-owned projects totalled 15,589 lots at 30 June 2010 with an estimated on completion value of \$2.9 billion.

HIGHLIGHTS

- Revenue of \$117.8 million from the settlement of 449 Company-owned lots
- Earnings before interest and taxes⁵ up 26% to \$40.3 million
- 592 lots sold for a gross value of \$158.1 million
- 352 contracts on hand as at 30 June 2010 – up 71%

"THE TOTAL CONTRIBUTION TO EARNINGS FROM COMPANY-OWNED PROJECTS (BEFORE INTEREST AND TAXES)⁵ INCREASED BY 26% OVER THE PREVIOUS PERIOD. "



5. Pre FY09 write-downs

HIGHLIGHTS

- Earnings before interest and tax up 20% to \$26.2 million
- Almost 1,730 lots sold for a gross value of \$394.8 million
- More than 1,650 lots settled for a gross value of \$334.4 million
- 850 contracts on hand as at 30 June 2010 – up 13%
- 246 sales and 266 settlements from joint venture projects



1/ Homebuyers at Quattro: The New Queens Park, WA
2/ Shorehaven at Alkimos, WA

FUNDS MANAGEMENT

Peet manages and markets residential land developments on behalf of land syndicates and under joint venture arrangements.

These managed land holdings make up more than half the total land bank (17,152 lots) and have an estimated on-completion value of \$4.05 billion.

Syndicated projects

Peet completed the syndication of the \$26 million Peet Point Cook Kingsford Syndicate in November 2009, which closed over-subscribed. First sales to builders were achieved before year end, followed by the first public release of homesites at the new Kingsford at Point Cook community early in the new financial year.

Peet is a recognised leader in residential land syndicates and, at year end, preparations were well underway for the release of another syndicate opportunity; this time for a landholding in Western Australia.

Peet will manage the development of a 1,500-lot master-planned community in the coastal suburb of Yanchep, north of Perth. The new community will enjoy more than four kilometres of frontage to the Sun City Country Club golf course and easy access to the Indian Ocean, just a few kilometres away.

The Yanchep property is just north of Shorehaven at Alkimos which achieved good progress during the year with the start of construction and almost 200 sales.

Across its national portfolio of syndicated properties, Peet also recorded strong results from popular syndicated projects in Queensland and Victoria; and prepared for the launch of sales at two of its syndicated properties in the fast-growing Cranbourne region southeast of Melbourne in the year ahead.

In May 2010, Peet's Caboolture project was successful in securing a \$10.5 million Federal Government Housing Affordability Fund grant, clearing the way for further planning and development of a 1,300 dwelling community at Caboolture, some 40 kilometres from the Brisbane CBD. Construction is scheduled to commence in the year ahead.

At year end, Peet was managing 28 syndicated land holdings, half of which are on the east coast. A key strategic priority for Peet is the continuing national expansion of its syndication platform and it will continue to seek out and make available opportunities to existing and new investors.

Joint ventures

The Company currently has two joint venture projects with the Western Australian Government.

There were 246 sales at Quattro: the New Queens Park and The Village at Wellard during the year. A total of 266 lots were settled during the year and another 68 contracts were on hand as at 30 June 2010 with a total value of \$13.1 million.

A new community centre is planned for the multi-award winning The Village at Wellard following the announcement of a \$1.1 million grant from Lotterywest

in December 2009. The remaining two thirds of the funds will be provided by the joint venture partners – Peet and the Department of Housing.

Peet Income Property Fund

The Peet Income Property Fund focuses on investment in the Australian commercial and industrial sectors.

At an operational level, the Fund continued to perform well during the year with a high level of occupancy, which has allowed the Fund to maintain distributions at the same level as the previous financial year.

The Fund recorded an operating profit for the period of \$1.7 million (pre revaluations and write-downs) representing an increase of 14% over the previous period.

Due primarily to a fall in property values of \$2.5 million, however, a loss for the year ended 30 June 2010 of \$809,434 was recorded, bringing total Fund assets to \$49.4 million. This 5% fall is in line with decreases in the broader Australian property market over the period.

Peet continues to actively manage the portfolio to maximise returns to unitholders and, at the end of the year, the Board of the Responsible Entity resolved to wind up the Fund in the best interests of unitholders, rather than proceed with a Redemption Offer required to be made during the six months starting from 1 July 2010.

In the year ahead, sales of properties in the portfolio will commence with net proceeds returned to unitholders.

“PEET UNDERTOOK AROUND 30 ENVIRONMENTAL AWARENESS AND EDUCATION INITIATIVES FOR RESIDENTS AT 14 ESTATES.”



1/ Sustainable Home at Quattro: The New Queens Park, WA
2/ National Tree Day at Warner Lakes, Qld

SUSTAINABILITY

Peet Limited is committed to sustainability and environmental excellence. The Company applies sustainability principles in its development projects and business practices, as well as leading and supporting industry uptake of sustainable practices.

Priorities in the design, construction and community capacity building of Peet’s master-planned communities include the environment, safety, social well-being and economic opportunity.

As well as addressing the vexing affordability issue, with the provision of a range of different lot sizes in different locations to suit a broad range of budgets and lifestyles, Peet has taken a number of other sustainability initiatives at a corporate level and across its communities.

During the year, these included:

- Eleven environmental or rehabilitation programs commenced or continuing at Peet communities. They included the 10-year environmental plan at Cardinia Lakes in Victoria where nesting boxes for possums, bats and birds were installed in the first half of the year. More than 8,000 trees, shrubs and grasses will be planted as part of the program.
- Almost 30 environmental awareness and education initiatives for residents at 14 estates and the wider community, ranging from providing information and tips on how to live more sustainably through to the organising and sponsoring of community events.

- More than 20 events at Peet communities during the year, bringing together more than 2,600 residents and members of the wider community to celebrate important milestones and encourage a sense of community. Among the events were display village openings, festive celebrations and family fun days.
- More than \$10 million invested in innovative engineering and design to create a 20-hectare landmark lakes and parkland precinct at Warner Lakes in Queensland. The new social and recreational hub will provide a gathering place for residents and the broader region.
- Working with Moreton Bay Regional Council and Wildlife Warriors to help track and relocate a colony of koalas near Warner Lakes. This follows the completion of a new access road in 2010, which was designed with fauna-friendly dry culverts, which allow fauna to cross safely under the road.
- Being awarded Western Australia’s first EnviroDevelopment accreditation by the Urban Development Institute of Australia for water sensitive design at Shorehaven at Alkimos.



“As a volunteer unit we rely on community support. We have a team of 14 at the Tinbeerwah station and the new radios will help us to respond quickly and effectively to fire emergencies.”

Ken Stockton, First Officer Tinbeerwah Rural Fire Brigade 2010 (Peet sponsorship recipient QLD).

COMMUNITY

In 2010, Peet Limited celebrated an important milestone – 115 years as part of the Australian community and was pleased to share its success and build community capacity.

Peet proudly supports the work of Anglicare WA through the Peet Op Shop Ball for Anglicare which, in March 2010, raised more than \$200,000 including more than \$70,000 to bring a ‘suitcase of hope’ to more than 140 children.

The Company also completed its final year of a three-year partnership with WA Opera, supporting emerging artists.

By contributing to not for profit organisations in areas of the arts, social welfare groups and sport, Peet supports a wide range of groups who, in turn, help thousands of Australians in need every year.

In 2010, Peet communities were proud to sponsor more than 40 organisations and initiatives, including:

- four in the arts sector;
- 13 community development initiatives;
- 16 sporting groups;
- five environmental programs; and
- others in the education sector.

In Victoria, Peet Limited also sponsored the UDIA Young Professional of the Year Award for the fourth year and the Victorian Planning & Environmental Law Association Young Professional Award, supporting the development of young professionals in the industry.



1/ Residents at Greenwood Grove, Qld
 2/ Community event at Carramar Golf Course Estate, WA
 3/ Christmas celebration at Tarneit Gardens, Vic

Peet Limited has been proud to earn a number a coveted industry awards for excellence in planning, design, environmental management and the development of vibrant, sustainable communities.

AWARDS

In the past year, Peet added to its list of awards:

Town of Kwinana Looking Forward Award

The Village at Wellard, WA, joint venture partners, Peet Limited and WA Department of Housing

Parks and Leisure Australia Awards for Excellence (Inclusive and Connected Communities category)

The Village at Wellard, WA

Urban Development Institute of Australia (Qld) Women In Development Excellence Awards (Industry Support Services category)

Sandra MacKinley, Qld

HIA-NAB Perth Housing Awards' Special Purpose Housing Project of the Year

Latitude Lakelands, WA

Australian Marketing Institute (WA) Award for Marketing Excellence (Consumer Insight category)

The Village at Wellard's FirstStart Shared Equity Scheme

REIWA Awards for Excellence Innovation Award

The Village at Wellard's FirstStart Shared Equity Scheme

Premier's Australia Day Award (Best Community Initiative)

Ngulla Community Nursery at The Village at Wellard

Master Builders-Bankwest Award for Housing Excellence

Sustainable Home at Quattro: The New Queens Park, WA. Awarded to builder Redlink Homes

1/ Latitude Lakelands, WA

2/ Clean Up Australia Day at The Village at Wellard, WA



1



2

CORPORATE CALENDAR

24 September 2010

Record date for final dividend for the year ended 30 June 2010.

30 September 2010

Annual report for the year ended 30 June 2010 lodged with ASX.

15 October 2010

Payment date for final dividend for the year ended 30 June 2010.

15 October 2010

Annual report dispatched to all shareholders.

16 November 2010

Annual General Meeting at the Parmelia Hilton Perth Hotel, Mill Street, Perth at 10.00am (AWST).

February 2011

Release of results for the half year ending 31 December 2010.

March 2011

Record date for interim 2011 dividend.

April 2011

Payment date for interim 2011 dividend.

CORPORATE GOVERNANCE STATEMENT

Outlined below are the main Corporate Governance policies and practices in place during the financial year ended 30 June 2010. Unless otherwise stated, these are consistent with the ASX Corporate Governance Council's principles and recommendations and copies of relevant charters and policies are available at www.peet.com.au.

Role of the Board

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

- setting strategic direction of the Peet Group and monitoring management's performance within that framework;
- ensuring there are adequate resources available to meet the Peet Group's objectives;
- appointing and removing the Managing Director and Chief Executive Officer and overseeing succession plans for the senior executive team;
- approving and monitoring financial reporting and capital management;
- approving and monitoring the progress of business objectives;
- ensuring that any necessary statutory licences (for example, Australian Financial Services Licence) are held and compliance measures are maintained to ensure compliance with the law and licence(s);
- ensuring that adequate risk management procedures are in place;
- ensuring that the Peet Group has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- ensuring that the Board is, and remains, appropriately skilled to meet the changing needs of the Company.

Composition of the Board

Under the Constitution, the minimum number of directors is three. The maximum number of directors is to be fixed by the Directors, but may not be more than 14, unless the Company, in general meeting, resolves otherwise.

The Board currently comprises four non-executive directors (including two independent directors) and two executive directors.

Board members

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

The ASX Corporate Governance Council's principles recommend that boards consist of a majority of independent non-executive directors; however, while the Peet Board does not meet this recommendation, it does consist of a majority of non-executive directors, one of whom is Chairman.

The 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.

Mr Tony Lennon who is (indirectly) the largest shareholder in the Company and 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 Managing Director of the Company up to his retirement from that role in August 2007. He remains on the Board as a Non-executive Director and is not considered independent.

Mr Stephen Higgs is deemed to be independent under the principles set out on page 19.

Mr Graeme Sinclair is deemed to be independent under the principles set out on page 19.

Directors' independence

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

- is not a substantial (as defined by the *Corporations Act*) shareholder of the Company or an officer of a substantial shareholder who has a financial interest in the substantial shareholder;
- within the past 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 past three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other Group member, or an officer of a material supplier or customer who has a financial interest in the material supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Parent Entity;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

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

Term of office

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

Chairman and Managing Director

The roles of Chairman and Managing Director are strictly separated.

The Chairman is responsible for:

- leading the Board in its duties to the Peet Group;
- ensuring there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;

- facilitating effective discussions at Board meetings; and
- ensuring effective communication with shareholders.

The Managing Director is responsible for:

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

Independent professional advice

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

Performance assessment

The Board undergoes periodic formal assessments as and when considered appropriate, and informal self assessment on an ongoing basis.

The formal assessment process generally involves the appointment of an independent, third party consultant to facilitate the process and includes assessment of the Board's committees.

The formal assessment process generally includes the requirement for each Director to complete a questionnaire and to be interviewed by the third party consultant on matters such as role, composition, procedures, practices and behaviour of the Board, its committees and their members.

This is then generally followed by a facilitated workshop at which the Directors discuss the findings (in aggregate) from the questionnaires and interviews and agree on a program of actions.

The final part of the process generally involves individual feedback sessions facilitated by the independent third party consultant.

The most recent formal assessment process was completed during the first half of the 2010 financial year.

Nomination Committee

No nomination committee currently exists.

Any changes to directorships will, for the time being, be considered by the Remuneration Committee and the full Board subject to any applicable laws.

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

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

Board Committees

The following committees serve the Board:

Remuneration Committee

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

- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- recruitment, retention and termination policies for senior management;
- incentive schemes;
- superannuation arrangements;
- senior management succession plans; and
- the remuneration framework for directors, including non-executive directors.

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

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

The members of the Committee during the year were:

- SF Higgs (Chairman) – Independent Non-executive Director
- GW Sinclair – Independent Non-executive Director
- AW Lennon – Non-executive Chairman

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

Details of key management personnel remuneration is set out at item 14 in the Directors' Report.

As at the 30 June 2010, the Company's key management personnel comprised the Executive Team, whose members report directly to the Managing Director and Chief Executive Officer.

The process for evaluating the performance of the Executive Team members (not including the Managing Director and Chief Executive Officer) generally involves an analysis of:

- a summary of the executives' highlights for the previous 12 months;
- an assessment against the Company's values and behaviours, which is considered a mandatory aspect of the day-to-day performance and an integral part of the Company's culture;
- an assessment against personal objectives and key performance indicators; and
- an assessment of personal skills and attributes.

This performance evaluation is undertaken by the Managing Director and Chief Executive Officer.

The performance evaluation process for each member of the Executive Team in respect of the year ended 30 June 2010 is currently in progress.

The Managing Director and Chief Executive Officer had his performance assessed by the Remuneration Committee and the Board based, primarily, on various Group financial and non-financial performance criteria.

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.

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 non-executive directors and the Non-executive Chairman.

At the discretion of the Committee, the external auditor and other members of the Board and management are invited to Audit and Risk Management Committee meetings as and when considered appropriate.

The Audit and Risk Management Committee will consider any matters relating to the financial affairs of Peet and any other matter referred to it by the Board.

The Audit and Risk Management Committee charter requires the committee to meet at least three times a year. The Committee held five meetings during the year and all the other directors were invited to these meetings, along with the Chief Financial Officer and the Group Financial Controller. The external auditors were invited to attend four of the five meetings.

The members of the Committee during the year were:

- GW Sinclair (Chairman) – Independent Non-executive Director
- SF Higgs – Independent Non-executive Director
- AW Lennon – Non-executive Chairman

The Group 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.

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 in keeping with its Risk Management Policy Statement, a copy of which is available on the Corporate Governance section of the Company's website (www.peet.com.au).

Management is responsible for the design and implementation of the risk management framework and internal control systems to manage the Company's material business risks and to report to the Board on whether those risks are being managed effectively. Individual business units are responsible for integrating the risk management framework within their business processes and systems.

The Audit and Risk Management Committee assists the Board in its risk management oversight function, receives reports from management on the Company's material business risks and monitors the effectiveness of risk management and internal control policies.

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.

During the year, the Audit & Risk Management Committee and the Board received periodic reports on management's ongoing monitoring of, and action plans for, material business risks.

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) – practising accountant for over 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) – former partner of the firm currently known as RSM Bird Cameron. Mr Hicks spent his entire working life in public practice and is a Fellow of both CPA Australia and Institute of Chartered Accountants of Australia.
- Mr W Hemsley (Non-executive Director) – please refer to information on Board of Directors of Peet Limited.

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

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

The Committee meets at least four times a year and is required to report breaches of the *Corporations Act 2001*, the Parent Entity's Australian Financial Services Licence and the various Managed Investment Schemes' Constitutions and Compliance Plans to the Board, which is then required to report to ASIC any significant breach of obligations.

External auditors

The Company and Audit and Risk Management Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed periodically and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

PricewaterhouseCoopers were appointed as the external auditors in 1998. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. The current lead audit partner, David J Smith, was first appointed for the 2008 financial year's audit.

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

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

Corporate reporting

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

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

Promotion of ethical and responsible decision making

Code of Conduct

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

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

Share trading guidelines

Employees

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

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

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

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

During other periods

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

Directors and senior management

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

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

- a director of Peet (including the Managing Director) must notify the Chairman and Group Company Secretary prior to undertaking a transaction;
- the Chairman must notify the Board or the next most senior director, prior to undertaking a transaction; and
- senior management must notify the Managing Director prior to undertaking a transaction.

Short-term dealing

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

Hedging of unvested securities

The Company's Guidelines for Dealing in Securities prohibits the entering into schemes by directors and employees to protect the value of unvested entitlements under any equity based remuneration scheme.

Continuous disclosure policies and shareholder communication

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

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

The Group Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

Information is communicated to shareholders as follows:

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

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

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

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

BOARD OF DIRECTORS

Tony Lennon

FAICD
Non-executive Chairman

Tony Lennon has been a director of Peet for 25 years and was Executive Chairman before the Company was listed on the Australian Securities Exchange in 2004. He brings more than 40 years' property experience to the position of Chairman of the Board.

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

Mr Lennon is a Fellow of the Australian Institute of Company Directors and an Associate of the Australian Property Institute. A former President of the Real Estate Institute of Western Australia, he has also served as a Councillor of the national body, the Real Estate Institute of Australia.

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

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

Brendan Gore

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

Brendan Gore has held senior corporate, commercial and operational roles for more than 18 years and brings to the positions of Managing Director and Chief Executive Officer wide-ranging expertise in the business, resources and property sectors.

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

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

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

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

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

Warwick Hemsley

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

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

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

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

Mr Hemsley has served in a number of community roles and has an active role as Chairman of the West Australian Opera Company and Council Member of the National Gallery of Australia. He is a former Chairman of the Australia Day Council of Western Australia and continues to participate on the management committee.

Stephen Higgs

BEc (Syd)
Independent Non-executive Director

Stephen Higgs joined the Board of Peet Limited in June 2004.

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

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

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

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

Graeme Sinclair

BComm, CA, ACIS, FAICD
Independent Non-executive Director

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

Mr Sinclair gained his accounting qualifications with an international accounting firm in 1971, before transferring to the firm's London office.

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

After becoming the Group's Chief Executive Officer and Managing Director of the Myer Family Company Pty Ltd, Mr Sinclair served in those roles for 13 years before retiring from those positions in mid-2009.

Mr Sinclair is also a Non-executive Director of Mirrabooka Investments Limited, a listed investment company specialising in investing in small and medium-sized companies.

Mr Sinclair has a number of philanthropic activities, including being a Trustee of the William Buckland Foundation, one of Australia's largest philanthropic foundations, and a Director of Habitat for Humanity Australia, having previously served as Secretary of both The Myer Foundation and the Sidney Myer Fund.

Anthony Lennon

BA, Grad Dip Bus Admin, MAICD
Executive Director / National Business Development Director

Anthony Lennon joined Peet in 1991 and became a Director in 1996.

He moved to Victoria over a decade ago to establish Peet's operations in Australia's eastern states and has overseen significant expansion since that time.

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

Mr Lennon's responsibilities since joining Peet have included project management, broadacre acquisitions, marketing and financing and a six-year stint as Chairman of one of WA's largest conveyancing businesses.

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

He is a board member of the Urban Development Institute of Australia (Victoria).

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of Peet Limited ('the Parent Entity' or 'the Company') and the entities it controlled at the end of, or during, the financial year ended 30 June 2010 ('Peet Group').

1 DIRECTORS

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

Non-executive Chairman

AW Lennon

Executive Directors

BD Gore

AJ Lennon

Non-executive Directors

WD Hemsley

SF Higgs

GW Sinclair

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 | |
|---|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| Revenue | 178,015 | 175,138 |
| Expenses | (104,700) | (118,687) |
| | 73,315 | 56,451 |
| Write-down in carrying value of inventories | - | (27,369) |
| EBIT | 73,315 | 29,082 |
| Finance costs (includes interest and finance charges amortised through cost of sales) | (11,981) | (11,949) |
| Profit before income tax | 61,334 | 17,133 |
| Income tax expense | (19,223) | (5,114) |
| Profit attributable to members of Peet Limited | 42,111 | 12,019 |

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

| | 2010 CENTS | 2009 CENTS |
|----------------------------|---------------|---------------|
| Basic earnings per share | 14.1 | 5.1 |
| Diluted earnings per share | 14.0 | 5.0 |

Basic earnings per share is calculated after income tax expense based on the weighted average number of shares on issue at 30 June 2010.

5 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year, other than those changes identified in the financial statements for the year ended 30 June 2010.

6 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Company has a land parcel of 151-hectares in the northern coastal suburb of Yanchep, Western Australia, under contract for the purpose of a Peet land syndicate.

Since year end, the Group has provided loans in aggregate of up to \$5.31 million to various associates for working capital purposes. The loans were provided on commercial terms.

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

7 LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

8 DIVIDENDS

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

| | CENTS PER SHARE | TOTAL AMOUNT \$'000 | DATE OF PAYMENT | FRANKED / UNFRANKED |
|--|-----------------|---------------------|-----------------|---------------------|
| Declared and paid during the year | | | | |
| Interim 2010 ordinary | 4.00 | 11,975 | 16 April 2010 | Franked |
| Final 2009 ordinary | 4.00 | 11,765 | 8 October 2009 | Franked |
| | 8.00 | 23,740 | | |
| Declared after year end | | | | |
| Final 2010 ordinary | 4.50 | 13,531 | 15 October 2010 | Franked |

Dividends declared or paid during the year were fully franked.

The financial effect of the dividend declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 30 June 2010 and will be recognised in the following financial period.

The amount of dividends payable subsequent to year end is based on the 301 million ordinary shares on issue at the record date.

9 ENVIRONMENTAL REGULATION

The Consolidated Entity is subject to environmental regulation by way of the *Environmental Protection Act 1986* (as amended) and the *Contaminated Sites Act 2003* in respect of its Western Australian land subdivision activities, the *Environmental Protection Act 1970* (as amended) in respect of its Victorian subdivision activities, the *Environmental Protection Act 1994* (including Regulations 1998) and the *Integrated Planning Act* in respect of its Queensland land subdivision activities and the *Environmental Planning and Assessment Act 1979* in respect of its New South Wales subdivision activities.

The Company is not aware of any breaches of environmental regulations in respect of its activities.

Greenhouse gas and energy data reporting requirements

The Consolidated Entity is also subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*, which requires the Group to report its annual greenhouse gas (GHG) emissions and energy use if it emits greenhouse gases, produces energy, or consumes energy at or above specified GHG emission thresholds per financial year starting 1 July 2008.

The Group is not required to register and report to the Department of Climate Change as the Group's GHG emissions or energy consumption is below the reporting thresholds for the 2009 and 2010 reporting periods.

10 INFORMATION ON DIRECTORS AND GROUP COMPANY SECRETARY

Please refer to the Board of Directors section of this report for information on Directors.

Group Company Secretary

The Group 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 INTERESTS IN THE SHARES, OPTIONS AND PERFORMANCE RIGHTS OF THE COMPANY

| DIRECTOR | INTEREST IN ORDINARY SHARES At 30 June 2010 | INTEREST IN OPTIONS & PERFORMANCE RIGHTS At 30 June 2010 | INTEREST IN ORDINARY SHARES At the date of this report | INTEREST IN OPTIONS & PERFORMANCE RIGHTS At the date of this report |
|------------------------|---|--|--|---|
| AW Lennon ¹ | 80,141,446 | - | 80,141,446 | - |
| WD Hemsley | 20,663,600 | - | 20,663,600 | - |
| SF Higgs | 400,000 | - | 400,000 | - |
| GW Sinclair | 79,000 | - | 79,000 | - |
| BD Gore | - | 3,659,121 | - | 3,659,121 |
| AJ Lennon ¹ | 934,420 | 435,000 | 934,420 | 435,000 |

1. AW Lennon holds 14,496 shares in his own name, and 35,786 shares as trustee for the Trofie Superfund. The remaining 80,091,164 shares are held in the name of Scorpio Nominees Pty Ltd as trustee for the Gwenton Trust. AW Lennon is a Director and shareholder of Scorpio Nominees Pty Ltd. AW Lennon and AJ Lennon are beneficiaries of the Gwenton Trust, which is a discretionary family trust.

12 DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

| DIRECTOR | BOARD OF DIRECTORS | | AUDIT & RISK MANAGEMENT COMMITTEE | | REMUNERATION COMMITTEE | |
|-------------|--------------------|----------|--------------------------------------|----------|------------------------|----------|
| | Held | Attended | Held | Attended | Held | Attended |
| AW Lennon | 14 | 14 | 5 | 5 | 3 | 3 |
| BD Gore | 14 | 13 | - | - | - | - |
| WD Hemsley | 14 | 13 | - | - | - | - |
| SF Higgs | 14 | 13 | 5 | 5 | 3 | 3 |
| GW Sinclair | 14 | 14 | 5 | 5 | 3 | 3 |
| AJ Lennon | 14 | 12 | - | - | - | - |

13 RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

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

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

14 REMUNERATION REPORT

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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

14 REMUNERATION REPORT (CONTINUED)

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

Non-executive Directors' fees

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board considers, as appropriate, the advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive Directors do not receive share options. Subject to the rules of the relevant share plan, 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 membership on any subsidiary boards. Non-executive Directors' fees, including the Chairman's, are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$600,000.

The Non-executive Directors do not receive any form of retirement allowance.

Executive Directors' 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 the Peet Limited Performance Rights Plan (PRP); and
- other remuneration such as superannuation.

The combination of these comprises the Executive Directors' total remuneration.

Base pay

Executive 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.

Executive Directors are offered a competitive base pay that comprises the fixed component of pay and rewards. As and when considered appropriate, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for Executive Directors is reviewed annually to ensure the Directors' pay is competitive with the market.

Short-term incentives (STI)

Each Executive Director has a target STI opportunity depending on the accountabilities of the role and impact on the Group's performance. Generally, the maximum target bonus opportunity is 100% of total base salary for the Managing Director and Chief Executive Officer, and is 30% of total base salary for the National Business Development Director. However, the Board of Directors has the discretion to pay over and above these amounts.

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 may include setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the years ended 30 June 2009 and 2010, the KPIs linked to STI plans were based on Group, individual business and personal objectives. The KPIs required performance in achieving specific earnings and operational targets, taking into account prevailing market conditions.

14 REMUNERATION REPORT (CONTINUED)

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

Other key management personnel remuneration

The key management personnel pay 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 the Peet Limited Performance Rights Plan (PRP); 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 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 that their pay is competitive with the market. Key management personnel pay is also reviewed on promotion.

Short-term incentives (STI)

The Managing Director and Chief Executive Officer, together with the Remuneration Committee and the Board, consider the appropriate targets and KPIs to link the STI plan and the level of payout if targets are met.

Additionally, bonuses may be awarded to key management personnel at the discretion of the Remuneration Committee in acknowledgement of exceptional performance.

Details of remuneration

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

Other key management personnel

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

| Name | Position |
|------------|---|
| BD Gore | Managing Director and Chief Executive Officer |
| AJ Lennon | National Business Development Director |
| D Cooper | Chief Operating Officer |
| M Pisano | Chief Financial Officer |
| P Dumas | Head of Funds Management |
| D Scafetta | Group Company Secretary |

14 REMUNERATION REPORT (CONTINUED)

Details of remuneration (continued)

| Note | | SHORT-TERM BENEFITS | | | POST- EMPLOYMENT BENEFITS | LONG-TERM BENEFITS | | | Total \$ | |
|---------------------------------------|-------------|--|--------------------------|--------------------------|---------------------------------|--|--------------------------------|-------------------------------|-------------|-----------|
| | | Cash salary and fees ¹ \$ | Bonus ² \$ | Other ³ \$ | Superannuation \$ | Shares / options ^{4,6} \$ | Long service leave \$ | Termination benefits \$ | | |
| Directors | | | | | | | | | | |
| | AW Lennon | 2010 | 165,000 | - | - | 14,850 | - | - | - | 179,850 |
| | | 2009 | 167,474 | - | - | 12,371 | - | - | - | 179,845 |
| | WD Hemsley | 2010 | 75,000 | - | - | 6,750 | - | - | - | 81,750 |
| | | 2009 | 75,000 | - | - | 6,750 | - | - | - | 81,750 |
| | SF Higgs | 2010 | 75,000 | - | - | 6,750 | - | - | - | 81,750 |
| | | 2009 | 75,000 | - | - | 6,750 | - | - | - | 81,750 |
| | GW Sinclair | 2010 | 75,000 | - | - | 6,750 | - | - | - | 81,750 |
| | | 2009 | 75,000 | - | - | 6,750 | - | - | - | 81,750 |
| | BD Gore | 5 2010 | 670,539 | 907,500 | - | 14,461 | 582,644 | - | - | 2,175,144 |
| | | 5 2009 | 661,255 | 125,000 | - | 13,745 | 566,096 | - | - | 1,366,096 |
| | AJ Lennon | 5 2010 | 355,211 | 57,750 | 13,000 | 31,789 | (7,768) | - | - | 449,982 |
| | | 5 2009 | 354,988 | - | 13,000 | 45,915 | 7,768 | - | - | 421,671 |
| | Total | 2010 | 1,415,750 | 965,250 | 13,000 | 81,350 | 574,876 | - | - | 3,050,226 |
| | | 2009 | 1,408,717 | 125,000 | 13,000 | 92,281 | 573,864 | - | - | 2,212,862 |
| Other key management personnel | | | | | | | | | | |
| | D Cooper | 5 2010 | 377,943 | 196,900 | - | 14,461 | (6,491) | - | - | 582,813 |
| | | 5 2009 | 321,101 | 22,936 | - | 17,963 | 7,015 | - | - | 369,015 |
| | M Pisano | 5 2010 | 285,539 | 77,700 | - | 14,461 | (4,877) | - | - | 372,823 |
| | | 5 2009 | 281,267 | 20,000 | - | 13,745 | 5,127 | - | - | 320,139 |
| | P Dumas | 5 2010 | 302,752 | 165,000 | - | 27,248 | (5,403) | - | - | 489,597 |
| | | 5 2009 | 302,752 | - | - | 27,248 | 5,908 | - | - | 335,908 |
| | D Scafetta | 2010 | 185,539 | 60,000 | - | 14,461 | (3,256) | - | - | 256,744 |
| | | 2009 | 186,255 | - | - | 13,818 | 3,505 | - | - | 203,578 |
| | Total | 2010 | 1,151,773 | 499,600 | - | 70,631 | (20,027) | - | - | 1,701,977 |
| | | 2009 | 1,091,375 | 42,936 | - | 72,774 | 21,555 | - | - | 1,228,640 |

1. Cash salary and fees includes accrued annual leave liability paid out on retirement or resignation.
2. All cash bonuses are earned in the financial year to which they relate and are paid during the following financial year.
3. Other includes motor vehicle costs and car parking and are inclusive of related fringe benefits tax.
4. Options and performance rights granted includes the employee share option plan and performance rights plan as disclosed in note 36 to the financial statements. The value placed on options and performance rights in the table above is based on the valuation at the date of grant using a Black-Scholes model (options) or Binomial Model (performance rights), pro-rated over the period from grant date to vesting date.
5. Denotes one of the five highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.
6. Remuneration in the form of options and/or performance rights includes negative amounts as a result of changes made to vesting probability assumptions.

14 REMUNERATION REPORT (CONTINUED)

Details of remuneration (continued)

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

| | FIXED REMUNERATION | | AT RISK-STI | | AT RISK-LTI | |
|---------------------------------------|-----------------------|------|-------------|------|-------------------|------|
| | 2010 | 2009 | 2010 | 2009 | 2010 ² | 2009 |
| Directors | | | | | | |
| AW Lennon | 100% | 100% | - | - | - | - |
| WD Hemsley | 100% | 100% | - | - | - | - |
| SF Higgs | 100% | 100% | - | - | - | - |
| GW Sinclair | 100% | 100% | - | - | - | - |
| BD Gore ¹ | 31% | 50% | 42% | 9% | 27% | 41% |
| AJ Lennon | 89% | 98% | 13% | - | (2%) | 2% |
| Other key management personnel | | | | | | |
| D Cooper | 67% | 92% | 34% | 6% | (1%) | 2% |
| M Pisano | 80% | 92% | 21% | 6% | (1%) | 2% |
| P Dumas | 67% | 98% | 34% | - | (1%) | 2% |
| D Scafetta | 78% | 98% | 23% | - | (1%) | 2% |

1. The 2009 At Risk-STI for Mr Gore is in respect to the discretionary bonus approved by the Board in respect to his performance during the 2008 financial year.

2. Since the LTI are provided exclusively by way of options and/or performance rights, the percentages disclosed also reflect the value of remuneration consisting of options and/or performance rights based on the value of options and/or performance rights expensed during the year. Negative amounts indicate expenses reversed during the year as a result of changes made to vesting probability assumptions.

Service agreements

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

BD Gore, Managing Director and Chief Executive Officer

Term of Agreement – four years commencing 6 August 2007:

- base salary, inclusive of superannuation, to be reviewed annually by the Remuneration Committee and for the year ended 30 June 2010 was \$685,000;
- for the year ended 30 June 2010 the short-term incentive payment of up to 100% of the 2011 base salary of \$850,000 with the actual payment determined by reference to key performance indicators;
- long-term incentive payment by way of the granting of 1,200,000 options issued in accordance with the Peet Employee Share Option Plan and approved by shareholders at the 2007 AGM. In addition, an interest free loan to pay any taxation liability, which is solely referable to the grant of the options; and
- the service contract may be terminated by Peet at any time after a period of two years from the commencement date, by Peet giving not less than six months notice in writing. Payment may be made in lieu of notice.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation

Options over shares in Peet Limited are granted under the Peet Limited Employee Share Option Plan (ESOP), which was approved by the Board and shareholders during the 2004 financial year, and the Peet Limited Performance Rights Plan (PRP), which was approved by shareholders at the 2008 AGM. Employees of any Peet Group Company (including Executive Directors) will be eligible to participate in the ESOP and/or PRP at the discretion of the Board.

Invitations to apply for options and/or performance rights

Eligible employees, at the discretion of the Board, may be invited to apply for options and/or performance rights 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 and/or performance rights being offered and the maximum number of shares over which each option and/or performance right is granted;
- the period or periods during which any of the options and/or performance rights may be exercised;
- the dates and times when the options and/or performance rights lapse;
- the date and time by which the application for options and/or performance rights must be received by Peet; and
- any applicable conditions which must be satisfied or circumstances which must exist before the options and/or performance rights may be exercised.

Eligible employees may apply for part of the options and/or performance rights offered to them, but only in specified multiples.

Consideration

Unless the Board determines otherwise, no payment will be required for a grant of options and/or performance rights under the ESOP and/or PRP.

Exercise conditions

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option and/or performance right must be satisfied. However, the Board has the discretion to enable an option and/or performance right holder to exercise options and/or performance rights 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 ESOP and performance rights granted under the PRP carry no dividend or voting rights.

Lapse of options and/or performance rights

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

Share options and performance rights granted to Executive Directors

18 June 2004

On 18 June 2004, options under the Company's ESOP were granted to WD Hemsley and AJ Lennon. Each Director was granted 600,000 options convertible to ordinary shares on a 1:1 basis at an exercise price of \$1.20 per share. The vesting conditions of these options were met and the options were exercised during the year ended 30 June 2009.

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

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

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Share options and performance rights granted to Directors (continued)

18 June 2004 (continued)

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

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

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

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

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

In relation to the options granted to WD Hemsley and AJ Lennon, the TSR and EPS hurdles were calculated at the end of the three-year performance period. Both the internal and external hurdles were met with 100% of the options vesting during the year ended 30 June 2007 and were exercised during the year ended 30 June 2009.

6 August 2007

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

The exercise condition in respect of options granted to BD Gore on 6 August 2007 is that he remains employed as Managing Director for a period of four years. His entitlement to the options reduces on early termination, subject to the terms set out in his Service Agreement.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Share options and performance rights granted to Directors (continued)

18 December 2008

On 18 December 2008, and following shareholder approval, 1,300,000 options and 120,000 performance rights were granted to BD Gore and 400,000 options and 35,000 performance rights were granted to AJ Lennon under the Company's ESOP and PRP, respectively.

The terms and conditions of the options and performance rights can be summarised as follows:

| SECURITY | VESTING TERM | EXPIRY TERM | EXERCISE PRICE | VESTING CONDITIONS |
|-------------------|--------------|-------------|----------------|--------------------------|
| Option | 4 years | 6 years | \$2.50 | EPS growth (refer below) |
| Performance right | 4 years | 6 years | \$0.00 | EPS growth (refer below) |

The options and performance rights are convertible to ordinary shares on a 1:1 basis. The vesting condition is based on earnings per share (EPS), with a target level expressed as an average per annum growth over the four-year vesting period, with the base year being 30 June 2008. The EPS hurdle operates as follows:

| PERFORMANCE LEVEL | AVERAGE FOUR-YEAR EPS GROWTH | PROPORTION OF OPTIONS AND PERFORMANCE RIGHTS THAT MAY BE ELIGIBLE TO VEST |
|-------------------------|--|--|
| Less than the threshold | Peet's average 4-year EPS growth is less than 5% per annum | 0% |
| Threshold | Peet's average 4-year EPS growth is 5% per annum | 50% |
| Threshold - maximum | Peet's average 4-year EPS growth is between 5% to 8% per annum | Pro-rata between 50% and 100% (i.e. for each 1% increase above 5% EPS growth, an additional 16.667% of the maximum performance rights will vest) |
| Maximum | Peet's average 4-year EPS growth is above 8% per annum | 100% |

11 February 2010

On 11 February 2010, and following shareholder approval, 869,121 performance rights were granted to BD Gore under the Company's PRP.

The terms and conditions of the performance rights can be summarised as follows:

| SECURITY | VESTING TERM | EXPIRY TERM | EXERCISE PRICE | VESTING CONDITIONS |
|-------------------|--------------|-------------|----------------|--|
| Performance right | 3 years | 5 years | \$0.00 | NOPAT growth (refer below) FUM growth (refer below) |

The performance rights are convertible to ordinary shares on a 1:1 basis. The vesting conditions are based on Net Operating Profit after Tax (Net Profit after Tax before write-down in the carrying value of inventories) (NOPAT) growth and Funds under Management (FUM) growth. The vesting of 50% of the performance rights granted will be subject to the NOPAT growth condition, while the remaining 50% of the performance rights will be subject to the FUM growth condition.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Share options and performance rights granted to Directors (continued)

11 February 2010 (continued)

NOPAT growth will be measured as the average increase in NOPAT over the three-year vesting period, with the base year being 30 June 2009. The NOPAT hurdle operates as follows:

| PERFORMANCE LEVEL | THREE-YEAR NOPAT GROWTH TARGET | PROPORTION OF PERFORMANCE RIGHTS THAT MAY BE ELIGIBLE TO VEST |
|----------------------|---|---|
| Less than the target | Peet's average 3-year NOPAT growth is less than 8% per annum | 0% |
| Target | Peet's average 3-year NOPAT growth is 8% per annum | 25% |
| Target - maximum | Peet's average 3-year NOPAT growth is between 8% to 12% per annum | Pro rata between 25% and 100% (i.e. for each 1% increase above 8% NOPAT growth, an additional 18.75% of the maximum performance rights will vest) |
| Maximum | Peet's average 3-year NOPAT growth is above 12% per annum | 100% |

FUM growth will be measured as the cumulative value of properties:

- acquired by Peet on balance sheet and subsequently sold into a Peet syndicate; or
- funded by way of a Peet syndicate; or
- for which Peet has been appointed development manager during the performance period.

The aggregate of the FUM growth during the performance period is then compared to the FUM growth target set by the Board.

Of the half of the performance rights to be issued subject to FUM growth, the proportion to vest will be as follows:

| PERFORMANCE LEVEL | AGGREGATE FUM GROWTH TARGET DURING PERFORMANCE PERIOD | PROPORTION OF PERFORMANCE RIGHTS THAT MAY BE ELIGIBLE TO VEST |
|----------------------|---|--|
| Less than the target | Less than \$60 million | 0% |
| Target | \$60 million | 50% |
| Target - maximum | \$60 million to \$100 million | Proportion of FUM growth grant vesting increases in a straight line between 50% and 100% |
| Maximum | Greater than \$100 million | 100% |

In addition to the 869,121 performance rights granted to BD Gore, 118,098 performance rights have been proposed to be granted to AJ Lennon, subject to the approval of the Company's shareholders at the 2010 AGM.

Share options and performance rights granted to employees

The ESOP and PRP are designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plans, participants are granted options and/or performance rights which only vest if the employees are still employed by the Group at the end of the vesting period and any performance hurdles set have been met. Participation in the plans is at the Board's discretion and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits.

During the financial year, there were 751,533 performance rights granted to key management personnel under the Company's PRP other than those granted to BD Gore and proposed to be granted to AJ Lennon. These performance rights have the same vesting conditions as those granted to BD Gore on 11 February 2010.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Shares under option and performance rights

Unissued ordinary shares of the Company under option and performance rights amounted to 6,254,672 at the date of this report. The details of the options and performance rights are as follows:

| NO. OF OPTIONS & PERFORMANCE RIGHTS | EXERCISE PRICE | VALUE PER OPTION & PERFORMANCE RIGHTS AT GRANT DATE | GRANT DATE | VESTING & EXERCISE DATE | EXPIRY DATE |
|---|----------------|--|-------------|----------------------------|-------------|
| Options | | | | | |
| 100,000 | \$2.81 | \$0.57 | 8 Feb 2006 | 8 Feb 2009 | 8 Feb 2011 |
| 20,000 | \$3.09 | \$0.68 | 2 May 2006 | 2 May 2009 | 2 May 2011 |
| 50,000 | \$3.42 | \$0.78 | 24 May 2006 | 24 May 2009 | 24 May 2011 |
| 1,200,000 | \$4.10 | \$1.12 | 30 Nov 2007 | 30 Nov 2011 | 30 Nov 2013 |
| 2,930,000 | \$2.50 | \$0.07 | 18 Dec 2008 | 18 Dec 2012 | 18 Dec 2014 |
| 4,300,000 | | | | | |
| Performance rights | | | | | |
| 265,000 | \$0.00 | \$1.08 | 18 Dec 2008 | 18 Dec 2012 | 18 Dec 2014 |
| 869,121 | \$0.00 | \$2.08 | 11 Feb 2010 | 11 Feb 2013 | 11 Feb 2015 |
| 820,551 | \$0.00 | \$1.86 | 28 Jun 2010 | 28 Jun 2013 | 28 Jun 2015 |
| 1,954,672 | | | | | |
| 6,254,672 | | | | | |

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Option and performance rights holdings

The number of options and performance rights over unissued ordinary shares in the Company held during the financial year by each Director of the Company and each of the key management personnel of the Consolidated Entity, including their personally-related entities, are set out below. When exercisable, each option and performance right is convertible into one ordinary share of Peet Limited. Further information on the options and performance rights is set out in note 36 to the financial statements.

| | | BALANCE AT THE START OF THE YEAR | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | LAPSED DURING THE YEAR | BALANCE AT END OF THE YEAR | VESTED AND EXERCISABLE AT THE END OF THE YEAR |
|---------------------------------------|------|--|-------------------------------|---------------------------------|------------------------------|----------------------------------|--|
| Directors | | | | | | | |
| AW Lennon | 2010 | - | - | - | - | - | - |
| | 2009 | - | - | - | - | - | - |
| WD Hemsley | 2010 | - | - | - | - | - | - |
| | 2009 | 600,000 | - | (600,000) | - | - | - |
| SF Higgs | 2010 | - | - | - | - | - | - |
| | 2009 | - | - | - | - | - | - |
| GW Sinclair | 2010 | - | - | - | - | - | - |
| | 2009 | - | - | - | - | - | - |
| BD Gore | 2010 | 2,790,000 | 869,121 | - | - | 3,659,121 | 170,000 |
| | 2009 | 1,370,000 | 1,420,000 | - | - | 2,790,000 | 170,000 |
| AJ Lennon | 2010 | 435,000 | - | - | - | 435,000 | - |
| | 2009 | 600,000 | 435,000 | (600,000) | - | 435,000 | - |
| Other key management personnel | | | | | | | |
| D Cooper | 2010 | 435,000 | 257,669 | - | - | 692,669 | - |
| | 2009 | - | 435,000 | - | - | 435,000 | - |
| M Pisano | 2010 | 325,000 | 122,699 | - | - | 447,699 | - |
| | 2009 | - | 325,000 | - | - | 325,000 | - |
| P Dumas | 2010 | 360,000 | 248,466 | - | - | 608,466 | - |
| | 2009 | - | 360,000 | - | - | 360,000 | - |
| D Scafetta | 2010 | 220,000 | 122,699 | - | - | 342,699 | - |
| | 2009 | - | 220,000 | - | - | 220,000 | - |

During the financial year, nil options (2009: 1,200,000) were exercised by Directors or other key management personnel.

Shares provided on exercise of options

Details of ordinary shares in the Company issued as a result of the exercise of options to each Director and key management person are set out below:

| NAME | DATE OF EXERCISE OF OPTIONS | AMOUNTS PAID PER ORDINARY SHARE ON THE EXERCISE OF OPTIONS AT DATE OF EXERCISE | | NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR | |
|------------------|--------------------------------|--|------------|---|---------|
| | | 2010 \$ | 2009 \$ | 2010 | 2009 |
| Directors | | | | | |
| WD Hemsley | 15 June 2009 | - | 1.20 | - | 600,000 |
| AJ Lennon | 15 June 2009 | - | 1.20 | - | 600,000 |

14 REMUNERATION REPORT (CONTINUED)

Additional information

Performance of Peet Limited

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

| YEAR | NET PROFIT AFTER TAX (NPAT) \$000 | NPAT GROWTH % | BASIC EPS Cents per share | BASIC EPS GROWTH Growth % | DIVIDENDS PAID Cents per share | DIVIDENDS PAID GROWTH Growth % | AT RISK-STI \$ | AT RISK-STI GROWTH Growth % |
|------|--|---------------------|---------------------------------|---------------------------------|---|---|-------------------|-----------------------------------|
| 2005 | 29,603 | N/A | 14.8 | N/A | 14.50 | N/A | 523,279 | N/A |
| 2006 | 36,834 | 24.40% | 18.4 | 24.30% | 17.00 | 17.20% | 616,500 | 17.80% |
| 2007 | 45,518 | 23.60% | 21.4 | 16.30% | 19.50 | 14.70% | 635,721 | 3.10% |
| 2008 | 47,912 | 5.30% | 21.6 | 0.90% | 19.75 | 1.30% | 518,375 | -18.50% |
| 2009 | 12,019 | -74.90% | 5.1 | -76.40% | 7.00 | -64.60% | 167,936 | -67.60% |
| 2010 | 42,111 | 250.40% | 14.1 | 176.50% | 8.50 | 21.40% | 1,464,850 | 772.30% |

Details of remuneration: cash bonuses, options and performance rights

For each cash bonus, grant of options and performance rights 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. Subject to the rules of the ESOP and PRP, no options or performance rights will vest if the conditions are not satisfied, hence the minimum value of the option and performance rights yet to vest is nil. The maximum value of the options and performance rights yet to vest has been determined as the amount of the grant date fair value of the options and performance rights that is yet to be expensed.

| | CASH BONUS | | OPTIONS & PERFORMANCE RIGHTS | | | | | |
|---------------------------------------|------------|----------------|------------------------------|-------------|----------------|---|--|--|
| | PAID % | FORFEITED % | FINANCIAL 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 \$ |
| Directors | | | | | | | | |
| AW Lennon | - | - | - | - | - | - | - | - |
| WD Hemsley | - | - | - | - | - | - | - | - |
| SF Higgs | - | - | - | - | - | - | - | - |
| GW Sinclair | - | - | - | - | - | - | - | - |
| BD Gore ¹ | 95% | 5% | 2008 | - | - | 2012 | nil | 119,218 |
| | | | 2010 | - | - | 2013 | nil | 861,064 |
| AJ Lennon | 50% | 50% | - | - | - | - | - | - |
| Other key management personnel | | | | | | | | |
| D Cooper | 100% | - | 2010 | - | - | 2013 | nil | 286,571 |
| M Pisano | 87% | 13% | 2010 | - | - | 2013 | nil | 136,462 |
| P Dumas | 100% | - | 2010 | - | - | 2013 | nil | 276,336 |
| D Scafetta | 100% | - | 2010 | - | - | 2013 | nil | 136,462 |

1. Generally the maximum target bonus opportunity for Mr Gore is 100% of his total base salary however the Board has the discretion to pay over and above this amount. In respect of the 2010 financial year Mr Gore's maximum target bonus was 100% of his base salary applying for the 2011 financial year of \$850,000. Mr Gore was paid 95% of this amount plus a discretionary amount agreed by the Board.

14 REMUNERATION REPORT (CONTINUED)

Additional information (continued)

Further details relating to options and performance rights are set out below:

| | REMUNERATION CONSISTING OF OPTIONS & PERFORMANCE RIGHTS ¹ | VALUE AT GRANT DATE ² \$ | VALUE AT EXERCISE DATE ³ \$ | VALUE AT LAPSE DATE ⁴ \$ | TOTAL \$ |
|---------------------------------------|--|---|--|---|-------------|
| Executive Directors | | | | | |
| BD Gore | 27% | 1,807,772 | - | - | 1,807,772 |
| AJ Lennon | (2%) | - | - | - | - |
| Other key management personnel | | | | | |
| D Cooper | (1%) | 479,264 | - | - | 479,264 |
| M Pisano | (1%) | 228,220 | - | - | 228,220 |
| P Dumas | (1%) | 462,147 | - | - | 462,147 |
| D Scafetta | (1%) | 228,220 | - | - | 228,220 |

1. The percentage of the value of remuneration consisting of options and performance rights, based on the value of options and performance rights expensed during the current year.
2. The value at grant date calculated in accordance with AASB 2 *Share-based payment* of performance rights granted during the year as part of remuneration.
3. The value at exercise date of options and performance rights that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options and performance rights at that date.
4. The value at lapse date of options and performance rights that were granted as part of remuneration and that lapsed during the year.

Loans to Directors and other key management personnel

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

15 INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of Directors' and Officers' liability that indemnifies Directors and 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 considered important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below and in note 25 to the financial statements.

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

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

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

| | CONSOLIDATED | |
|---|----------------|----------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Audit services | | |
| Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> | | |
| PricewaterhouseCoopers Australian firm | 218,730 | 193,950 |
| Non-PricewaterhouseCoopers audit firms | - | 23,250 |
| Total remuneration for audit services | 218,730 | 217,200 |
| Other assurance services | | |
| PricewaterhouseCoopers Australian firm | 79,038 | 103,600 |
| Non-PricewaterhouseCoopers audit firms | 37,116 | 27,768 |
| Total remuneration for other assurance services | 116,154 | 131,368 |
| Total remuneration for audit and other assurance services | 334,884 | 348,568 |
| Taxation services | | |
| Tax compliance services, including review of Company income tax returns | | |
| PricewaterhouseCoopers Australian firm | 70,549 | 150,185 |
| Non-PricewaterhouseCoopers tax firms | 18,193 | 8,652 |
| Total remuneration for other taxation services | 88,742 | 158,837 |

17 AUDITOR

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

18 AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 47.

19 ROUNDING OF AMOUNTS

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

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

A handwritten signature in black ink, appearing to read 'Brendan Gore', with a small mark to the right.

Brendan Gore
Managing Director
Perth, Western Australia

29 September 2010

PricewaterhouseCoopers
ABN 52 780 433 757


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Auditor's Independence Declaration

As lead auditor for the audit of Peet Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

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



David J Smith
Partner
PricewaterhouseCoopers

Perth
29 September 2010

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FINANCIAL REPORT

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

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

Level 7, 200 St Georges Terrace Perth WA 6000.

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Operational Review on pages 10 to 16, which is not part of the financial report.

The financial report was authorised for issue by the Directors on 29 September 2010. The Directors have the power to amend and reissue the financial report.

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

STATEMENTS OF INCOME

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Revenue | 5 | 178,022 | 176,840 | 92,200 | 50,376 |
| Other income | 7(a) | - | - | 5,096 | 16,033 |
| Cost of inventories | 6 | (74,508) | (87,186) | (1,331) | (770) |
| Employee benefits expense | | (16,604) | (13,641) | (16,074) | (13,641) |
| Depreciation | 6 | (1,466) | (748) | (671) | (438) |
| Project management, selling and other operating costs | | (10,095) | (13,116) | (3,349) | (3,713) |
| Office costs | | (3,793) | (3,790) | (3,115) | (3,187) |
| Other expenses | | (5,868) | (5,475) | (4,801) | (4,427) |
| Write-down in carrying value of inventories | 6 | - | (27,369) | - | (946) |
| Finance costs | 6 | (4,347) | (6,680) | 896 | (4,371) |
| Share of net loss of associates accounted for using the equity method | 32(b) | (7) | (1,702) | - | - |
| Profit before income tax | | 61,334 | 17,133 | 68,851 | 34,916 |
| Income tax expense | 7 | (19,223) | (5,114) | (3,253) | (5,638) |
| Profit for the year | | 42,111 | 12,019 | 65,598 | 29,278 |
| Earnings per share for profit attributable to the ordinary equity holders of the Parent Entity: | | | | | |
| Basic earnings per share (cents) | 35(a) | 14.1 | 5.1 | | |
| Diluted earnings per share (cents) | 35(a) | 14.0 | 5.0 | | |

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

STATEMENTS OF COMPREHENSIVE INCOME

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Profit for the year | | 42,111 | 12,019 | 65,598 | 29,278 |
| Other comprehensive income | | | | | |
| Changes in the fair value of cash flow hedges | | (1,565) | 1,561 | (1,565) | 1,561 |
| Income tax relating to components of other comprehensive income | 23 | 470 | (1,491) | 470 | (1,491) |
| Other comprehensive income for the year, net of tax | | (1,095) | 70 | (1,095) | 70 |
| Total comprehensive income for the year | | 41,016 | 12,089 | 64,503 | 29,348 |
| Total comprehensive income for the year is attributable to: | | | | | |
| Owners of Peet Limited | | 41,016 | 12,089 | 64,503 | 29,348 |

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

STATEMENTS OF FINANCIAL POSITION

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 41,074 | 123,116 | 21,017 | 90,692 |
| Receivables | 9 | 51,220 | 32,509 | 44,531 | 35,509 |
| Tax receivable | | - | 8,298 | - | 8,298 |
| Inventories | 10 | 64,833 | 76,262 | 2 | 337 |
| Total current assets | | 157,127 | 240,185 | 65,550 | 134,836 |
| Non-current assets | | | | | |
| Receivables | 9 | 13,077 | 367 | 7,281 | - |
| Inventories | 10 | 353,559 | 354,417 | 6,931 | 6,685 |
| Investments accounted for using the equity method | 11 | 32,640 | 32,684 | - | - |
| Available for sale financial assets | 12 | 257 | 257 | 257 | 257 |
| Derivative financial instruments | 13 | 1,208 | 6,071 | 1,208 | 6,071 |
| Other financial assets | 14 | - | - | 164,248 | 66,963 |
| Property, plant and equipment | 15 | 8,012 | 7,475 | 3,259 | 3,027 |
| Total non-current assets | | 408,753 | 401,271 | 183,184 | 83,003 |
| Total assets | | 565,880 | 641,456 | 248,734 | 217,839 |
| Current liabilities | | | | | |
| Payables | 17 | 25,048 | 24,863 | 5,545 | 4,351 |
| Land vendor liabilities | 18 | 42,240 | 28,741 | - | - |
| Borrowings | 19 | 1,043 | 69,771 | 1,043 | 20,481 |
| Tax liabilities | | 1,110 | - | 1,110 | - |
| Provisions | 20 | 2,640 | 5,451 | 349 | 720 |
| Total current liabilities | | 72,081 | 128,826 | 8,047 | 25,552 |
| Non-current liabilities | | | | | |
| Payables | 17 | - | - | 2 | 2 |
| Land vendor liabilities | 18 | 18,024 | 52,432 | - | - |
| Borrowings | 19 | 218,790 | 237,833 | 6,307 | 10,403 |
| Deferred tax liabilities | 21 | 23,983 | 19,667 | 5,125 | 6,413 |
| Provisions | 20 | 90 | 35 | 83 | 35 |
| Total non-current liabilities | | 260,887 | 309,967 | 11,517 | 16,853 |
| Total liabilities | | 332,968 | 438,793 | 19,564 | 42,405 |
| Net assets | | 232,912 | 202,663 | 229,170 | 175,434 |
| Equity | | | | | |
| Contributed equity | 22 | 176,025 | 163,354 | 176,025 | 163,354 |
| Reserves | 23 | 1,367 | 2,160 | 1,367 | 2,160 |
| Retained profits | 23 | 55,520 | 37,149 | 51,778 | 9,920 |
| Total equity | | 232,912 | 202,663 | 229,170 | 175,434 |

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

| | NOTES | CONTRIBUTED EQUITY \$'000 | CONSOLIDATED RESERVES \$'000 | RETAINED PROFITS \$'000 | TOTAL \$'000 |
|---|-------|---------------------------------|------------------------------------|-------------------------------|-----------------|
| Balance at 1 July 2008 | | 85,914 | 2,122 | 55,688 | 143,724 |
| Total comprehensive income for the year | | - | 70 | 12,019 | 12,089 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contributions of equity, net of transaction costs | | 75,855 | - | - | 75,855 |
| Dividends provided for or paid | 24(a) | - | - | (30,558) | (30,558) |
| Exercise of employee share options | 22(a) | 1,585 | - | - | 1,585 |
| Employee share benefit expense | 23 | - | (32) | - | (32) |
| | | 77,440 | (32) | (30,558) | 46,850 |
| Balance at 30 June 2009 | | 163,354 | 2,160 | 37,149 | 202,663 |

| | NOTES | CONTRIBUTED EQUITY \$'000 | CONSOLIDATED RESERVES \$'000 | RETAINED PROFITS \$'000 | TOTAL \$'000 |
|---|-----------|---------------------------------|------------------------------------|-------------------------------|-----------------|
| Balance at 1 July 2009 | | 163,354 | 2,160 | 37,149 | 202,663 |
| Total comprehensive income for the year | | - | (1,095) | 42,111 | 41,016 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contributions of equity, net of transaction costs | | 12,117 | - | - | 12,117 |
| Dividends provided for or paid | 24(a) | - | - | (23,740) | (23,740) |
| Exercise of employee share options | 22(a) | 48 | - | - | 48 |
| Transfer of exercised options | 22(a), 23 | 506 | (506) | - | - |
| Employee share benefit expense | 23 | - | 808 | - | 808 |
| | | 12,671 | 302 | (23,740) | (10,767) |
| Balance at 30 June 2010 | | 176,025 | 1,367 | 55,520 | 232,912 |

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

STATEMENTS OF CHANGES IN EQUITY

| | NOTES | CONTRIBUTED EQUITY \$'000 | PARENT RESERVES \$'000 | RETAINED PROFITS \$'000 | TOTAL \$'000 |
|---|-------|---------------------------------|------------------------------|-------------------------------|-----------------|
| Balance at 1 July 2008 | | 85,914 | 2,122 | 11,200 | 99,236 |
| Total comprehensive income for the year | | - | 70 | 29,278 | 29,348 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contributions of equity, net of transaction costs | | 75,855 | - | - | 75,855 |
| Dividends provided for or paid | 24(a) | - | - | (30,558) | (30,558) |
| Exercise of employee share options | 22(a) | 1,585 | - | - | 1,585 |
| Employee share benefit expense | 23 | - | (32) | - | (32) |
| | | 77,440 | (32) | (30,558) | 46,850 |
| Balance at 30 June 2009 | | 163,354 | 2,160 | 9,920 | 175,434 |

| | NOTES | CONTRIBUTED EQUITY \$'000 | PARENT RESERVES \$'000 | RETAINED PROFITS \$'000 | TOTAL \$'000 |
|---|-----------|---------------------------------|------------------------------|-------------------------------|-----------------|
| Balance at 1 July 2009 | | 163,354 | 2,160 | 9,920 | 175,434 |
| Total comprehensive income for the year | | - | (1,095) | 65,598 | 64,503 |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contributions of equity, net of transaction costs | | 12,117 | - | - | 12,117 |
| Dividends provided for or paid | 24(a) | - | - | (23,740) | (23,740) |
| Exercise of employee share options | 22(a) | 48 | - | - | 48 |
| Transfer of exercised options | 22(a), 23 | 506 | (506) | - | - |
| Employee share benefit expense | 23 | - | 808 | - | 808 |
| | | 12,671 | 302 | (23,740) | (10,767) |
| Balance at 30 June 2010 | | 176,025 | 1,367 | 51,778 | 229,170 |

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

STATEMENTS OF CASH FLOWS

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|--|-------|-----------------|-----------------|-----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Cash flows from operating activities | | | | | |
| Receipts from customers (inclusive of goods and services tax) | | 178,247 | 190,628 | 48,274 | 54,542 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (86,152) | (110,034) | (30,530) | (25,757) |
| Payments for purchase of land | | (32,230) | (39,533) | - | - |
| Interest and other finance costs paid | | (22,324) | (21,746) | (2,504) | (3,650) |
| Income tax paid | | (4,962) | (16,693) | (4,733) | (18,991) |
| Net cash inflow from operating activities | 31(b) | 32,579 | 2,622 | 10,507 | 6,144 |
| Cash flows from investing activities | | | | | |
| Payments for property, plant and equipment | | (2,015) | (3,464) | (903) | (550) |
| Proceeds from sale of property, plant and equipment | | 12 | - | - | - |
| Proceeds from sale of investments in associates | | - | 5 | - | 5 |
| Payments for investments in associates | | (16) | (8,230) | (16) | (8,230) |
| Payments for investments in available for sale financial assets | | - | (100) | - | (100) |
| Loans to related entities | | (16,538) | (690) | (188,089) | (41,873) |
| Repayments of loans by related entities | | 56 | - | 79,298 | 70,578 |
| Dividends received | | 167 | 191 | 50,697 | 191 |
| Interest received | | 2,923 | 2,140 | 1,250 | 1,208 |
| Net cash (outflow)/inflow from investing activities | | (15,411) | (10,148) | (57,763) | 21,229 |
| Cash flows from financing activities | | | | | |
| Dividends paid to the Company's shareholders | | (16,467) | (30,558) | (16,467) | (30,558) |
| Proceeds from exercise of employee share options | | 48 | 1,585 | 48 | 1,585 |
| Repayments of borrowings | | (168,491) | (51,380) | (10,981) | (20,858) |
| Proceeds from borrowings | | 80,719 | 84,863 | - | 31,042 |
| Proceeds from capital returns | | 42 | - | 42 | - |
| Proceeds from issue of equity securities (net of equity raising costs) | | 4,939 | 75,855 | 4,939 | 75,855 |
| Net cash (outflow)/inflow from financing activities | | (99,210) | 80,365 | (22,419) | 57,066 |
| Net (decrease)/increase in cash and cash equivalents | | (82,042) | 72,839 | (69,675) | 84,439 |
| Cash and cash equivalents at the beginning of the financial year | | 123,116 | 50,277 | 90,692 | 6,253 |
| Cash and cash equivalents at the end of the financial year | 31(a) | 41,074 | 123,116 | 21,017 | 90,692 |
| Financing arrangements | 19(b) | | | | |

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

NOTES TO FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

Compliance with IFRS

The financial statements of Peet Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for inventory, which has been measured at the lower of cost and net realisable value and derivative instruments which have been measured at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS 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.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Comparatives

The comparative revenues and expenses in the statement of income and assets and liabilities in the statement of financial position have been reclassified where appropriate to enhance comparability and understanding of the financial statements. There is no impact on the profit and net asset position of the Group in the prior year.

The accounting policies adopted are consistent with those of the previous financial year, except as set out below:

Changes in accounting policy

Peet Limited had to change one of its accounting policies as the result of a new or revised accounting standard which became operative for the annual reporting period commencing on 1 July 2009.

The affected policy and standard is:

Segments – new AASB 8 *Operating Segments*

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive management group that makes decisions. As permitted under the new standard, this has resulted in the Group no longer disclosing segment assets and liabilities as this information is not provided to the executive management group.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Peet Limited ('Parent Entity') as at 30 June 2010 and the results of all subsidiaries for the year then ended. Peet Limited and its subsidiaries together are referred to in these financial statements 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 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.

(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 by virtue of the Group's position as syndicate manager. 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 are recognised in the statement of income, and its share of post-acquisition movements in reserves are 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 statement of income, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

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

(iii) Joint ventures

Jointly controlled operations

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment reporting

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

(d) Income tax

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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Peet Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

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

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

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

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

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

(f) Impairment of assets

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

(g) 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.

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

- Plant and equipment – 1 to 5 years
- Property – 40 years

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

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

Property under construction

Property under construction is carried at cost and is not depreciated until the asset is available and ready for use.

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

(h) Revenue recognition

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

Sale of land

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

Project management, marketing and selling management fees

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

Manager's performance fees

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

Other trading activities

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

Interest income

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

Dividend income

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

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade receivables (continued)

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

(k) Inventories

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

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

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

(l) Investments and other financial assets

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

(i) Loans and receivables

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

(ii) Available for sale financial assets

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

Recognition and de-recognition

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of income. 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 statement of income 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 statement of income 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 statement of income as part of revenue from continuing operations when the Group's right to receive payments is established.

Fair value

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (continued)

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 statement of income. Impairment losses recognised in the statement of income on equity instruments classified as available for sale are not reversed through the statement of income.

(m) Derivatives

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

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

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

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 statement of income within finance costs.

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

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

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of income in the period in which they occur.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Fair value estimation

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

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

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

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

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. These amounts are unsecured and usually paid within 30 days of recognition. Payables, whose settlement is deferred, are measured at amortised cost.

(p) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent, there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

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 date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period they are incurred. The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Group's or the Company's outstanding borrowings during the year.

(q) Land vendor liabilities

Where the Group or Parent Entity enters into unconditional contracts with land vendors to purchase properties for future development that contain deferred payment terms, these borrowings are disclosed at their present value. The unwinding of the discount applied to the acquisition price is included in finance costs.

(r) Dividends

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

(i) Short-term obligations

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) Other long-term employee benefit obligations

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

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan, Performance Rights Plan and Deferred Employee Share Plan. Information relating to these plans is set out in note 36.

The fair value of options granted under the Employee Share Option Plan and Performance Rights Plan are 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 and/or performance rights.

The fair value of an option at grant date is determined using a Black-Scholes option pricing model and the value of a performance right at grant date is determined using a Binomial pricing model. The models take into account the exercise price, the term of the option and/or performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option or performance right, 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 and/or performance right.

The fair value of the options and/or performance rights 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 date, the entity revises its estimate of the number of options and/or performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, if any, is recognised in the statement of income with a corresponding adjustment to equity.

Upon the exercise of options and/or performance rights, the balance of the share-based payments reserve relating to those options and/or performance rights is transferred to share capital and the proceeds received, net of any directly attributable transaction costs.

(iv) Profit sharing and bonus plans

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

(v) Termination benefits

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Rebates

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

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options and/or performance rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, options or performance rights 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.

(v) Provisions

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Refer to note 1(t) for provisions for rebates.

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

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

(w) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(x) Goods and services tax (GST)

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

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

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 statements. Amounts in the financial statements 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 interpretations

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's and the Parent Entity's assessment of the impact of these new standards and interpretations is set out below:

- **AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]** (effective from 1 January 2010).

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's or the Parent Entity's financial statements.

- **AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]** (effective from 1 February 2010).

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's or the Parent Entity's financial statements.

- **AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9** (effective from 1 January 2013).

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised \$Nil of such gains in other comprehensive income. The Group has not yet decided when to adopt AASB 9.

- **AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19** (effective from 1 July 2010).

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group or the Parent Entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

2 FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

Credit risk further arises in relation to financial guarantees given to parties as set out in note 26. Such guarantees are subject to Board approval.

The Group manages this risk by:

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

The maximum exposure to credit risk as at 30 June 2010 is the carrying amount of the financial assets as summarised in the table below:

| | CONSOLIDATED | | PARENT ENTITY | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Financial assets: | | | | |
| Cash and cash equivalents | 41,074 | 123,116 | 21,017 | 90,692 |
| Receivables (excluding prepayments) | 62,709 | 32,288 | 51,087 | 34,940 |
| Derivative financial instruments | 1,208 | 6,071 | 1,208 | 6,071 |
| Total maximum credit exposure | 104,991 | 161,475 | 73,312 | 131,703 |

Cash

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

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Receivables

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

The ageing analysis of trade receivables as at 30 June 2010 for the Group and the Parent Entity is as follows:

| | CONSOLIDATED | | PARENT ENTITY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Ageing analysis for trade receivables: | | | | |
| 0 - 30 days | 1,097 | 3,084 | 3,548 | 2,796 |
| 31 – 60 days ¹ | 42 | 163 | 42 | 125 |
| 61 – 90 days ¹ | 37 | 46 | 36 | 2 |
| 91 – 120 days ¹ | 865 | 1 | 26 | 1 |
| 121 – 150 days ¹ | 1 | 99 | - | 99 |
| 151 – 180 days ¹ | 1 | 93 | - | 88 |
| 181+ days ^{1 & 2} | 12,228 | 1,224 | 40 | 894 |
| Total trade receivables | 14,271 | 4,710 | 3,692 | 4,005 |
| % of trade receivables with related parties (note 29) | 91% | 58% | 97% | 64% |

1. Past Due Not Impaired (PDNI)

2. Includes \$12m receivable from Peet Point Cook Kingsford Syndicate in relation to the settlement of land made on terms. The \$12m is due to be received in November 2010 as per the contract of sale.

Based on the credit history of these classes, it is expected that these amounts will be received. The Group and the Parent Entity do not hold any collateral in relation to these receivables. There is no significant concentration of credit risk with respect to receivables as the Group and the Parent Entity have a large number of balances with related parties and the remaining with other parties that have a good credit history with the Group and the Parent Entity.

Derivative financial instruments

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

(b) Price risk

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

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

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities (note 19(b)), and the ability to close-out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available, and regularly updating and reviewing its cash flow forecasts to assist in managing its liquidity.

Financing arrangements

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

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

| | CONSOLIDATED | | | | Total contractual cash flows \$'000 | Carrying amount of liabilities \$'000 |
|-----------------------------------|-------------------------|---------------------------------|---------------------------------|------------------------|--|--|
| | Within 1 year \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | | |
| At 30 June 2010 | | | | | | |
| Non-derivatives | | | | | | |
| Non-interest bearing | 25,048 | - | - | - | 25,048 | 25,048 |
| Fixed rate | 45,283 | 3,480 | 14,295 | 11,489 | 74,547 | 64,997 |
| Variable rate | 20,250 | 14,983 | 213,846 | - | 249,079 | 215,100 |
| Total non-derivatives | 90,581 | 18,463 | 228,141 | 11,489 | 348,674 | 305,145 |
| Derivatives | | | | | | |
| Net settled (interest rate swaps) | - | - | - | - | - | - |

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

| | CONSOLIDATED | | | | Total contractual cash flows \$'000 | Carrying amount of liabilities \$'000 |
|-----------------------------------|-------------------------|---------------------------------|---------------------------------|------------------------|--|--|
| | Within 1 year \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | | |
| At 30 June 2009 | | | | | | |
| Non-derivatives | | | | | | |
| Non-interest bearing | 24,863 | - | - | - | 24,863 | 24,863 |
| Fixed rate | 30,546 | 42,223 | 17,293 | 11,972 | 102,034 | 86,887 |
| Variable rate | 84,137 | 239,254 | - | - | 323,391 | 301,890 |
| Total non-derivatives | 139,546 | 281,477 | 17,293 | 11,972 | 450,288 | 413,640 |
| Derivatives | | | | | | |
| Net settled (interest rate swaps) | - | - | - | - | - | - |
| | | | | | | |
| | PARENT ENTITY | | | | Total contractual cash flows \$'000 | Carrying amount of liabilities \$'000 |
| | Within 1 year \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | | |
| At 30 June 2010 | | | | | | |
| Non-derivatives | | | | | | |
| Non-interest bearing | 5,547 | - | - | - | 5,547 | 5,547 |
| Fixed rate | 1,043 | 1,080 | 2,176 | 434 | 4,733 | 4,733 |
| Variable rate | 161 | 161 | 2,658 | - | 2,980 | 2,617 |
| Total non-derivatives | 6,751 | 1,241 | 4,834 | 434 | 13,260 | 12,897 |
| Derivatives | | | | | | |
| Net settled (interest rate swaps) | - | - | - | - | - | - |
| | | | | | | |
| At 30 June 2009 | | | | | | |
| Non-derivatives | | | | | | |
| Non-interest bearing | 4,353 | - | - | - | 4,353 | 4,353 |
| Fixed rate | 981 | 1,043 | 2,773 | 917 | 5,714 | 5,714 |
| Variable rate | 20,372 | 5,779 | - | - | 26,151 | 25,170 |
| Total non-derivatives | 25,706 | 6,822 | 2,773 | 917 | 36,218 | 35,237 |
| Derivatives | | | | | | |
| Net settled (interest rate swaps) | - | - | - | - | - | - |

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Cash flow and fair value interest rate risk

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

Borrowings

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

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

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

| | CONSOLIDATED | | | Weighted average interest rate % |
|--|--|---|------------------|---|
| | Floating interest rate ¹ \$'000 | Fixed interest rate ² \$'000 | Total \$'000 | |
| At 30 June 2010 | | | | |
| Cash and cash equivalents | 26,558 | 14,516 | 41,074 | 4.31 |
| Land vendor liabilities | - | (60,264) | (60,264) | 9.00 |
| Borrowings | (215,100) | (4,733) | (219,833) | 7.13 |
| Interest rate swaps (notional principal amounts) | 200,000 | (200,000) | - | 7.20 |
| Total net cash flow exposure | 11,458 | (250,481) | (239,023) | |
| At 30 June 2009 | | | | |
| Cash and cash equivalents | 47,906 | 75,210 | 123,116 | 3.10 |
| Land vendor liabilities | - | (81,173) | (81,173) | 9.00 |
| Borrowings | (301,890) | (5,714) | (307,604) | 5.29 |
| Interest rate swaps (notional principal amounts) | 200,000 | (200,000) | - | 6.44 |
| Total net cash flow exposure | (53,984) | (211,677) | (265,661) | |

1. Exposure to interest rate risk.

2. Exposure to fair value risk.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

| | PARENT ENTITY | | | Weighted average interest rate % |
|--|---|--|-----------------|----------------------------------|
| | Floating interest rate ¹ \$'000 | Fixed interest rate ² \$'000 | Total \$'000 | |
| At 30 June 2010 | | | | |
| Cash and cash equivalents | 6,501 | 14,516 | 21,017 | 4.06 |
| Borrowings | (2,617) | (4,733) | (7,350) | 6.16 |
| Interest rate swaps (notional principal amounts) | 200,000 | (200,000) | - | 7.20 |
| Total net cash flow exposure | 203,884 | (190,217) | 13,667 | |
| At 30 June 2009 | | | | |
| Cash and cash equivalents | 15,482 | 75,210 | 90,692 | 3.10 |
| Borrowings | (25,170) | (5,714) | (30,884) | 4.65 |
| Interest rate swaps (notional principal amounts) | 200,000 | (200,000) | - | 6.44 |
| Total net cash flow exposure | 190,312 | (130,504) | 59,808 | |

1. Exposure to interest rate risk.
2. Exposure to fair value risk.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates in existence at balance date, and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease used in the interest rate sensitivity analysis was determined based on the Group's relationship with financial institutions, the level of debt that was renewed and forecasters' economic expectations and represents management's assessment of the possible change in interest rates.

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

| | CONSOLIDATED | | | | |
|--------------------------------------|---------------------------|---|------------------|---|------------------|
| | Carrying amount \$'000 | -50 BASIS POINTS Post tax profit/(loss) \$'000 | Equity \$'000 | +50 BASIS POINTS Post tax profit/(loss) \$'000 | Equity \$'000 |
| As at 30 June 2010 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents (floating) | 26,558 | (93) | (93) | 93 | 93 |
| Interest rate swaps | 1,208 | - | (4) | - | 4 |
| Financial liabilities | | | | | |
| Borrowings (floating) | (15,100) | 53 | 53 | (53) | (53) |
| Total (decrease)/increase | | (40) | (44) | 40 | 44 |
| As at 30 June 2009 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents (floating) | 47,906 | (168) | (168) | 168 | 168 |
| Interest rate swaps | 6,071 | - | (21) | - | 21 |
| Financial liabilities | | | | | |
| Borrowings (floating) | (101,890) | 357 | 357 | (357) | (357) |
| Total increase/(decrease) | | 189 | 168 | (189) | (168) |

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

| | Carrying amount \$'000 | PARENT ENTITY | | | |
|--------------------------------------|---------------------------|---|------------------|---|------------------|
| | | -50 BASIS POINTS Post tax profit/(loss) \$'000 | Equity \$'000 | +50 BASIS POINTS Post tax profit/(loss) \$'000 | Equity \$'000 |
| As at 30 June 2010 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents (floating) | 6,501 | (23) | (23) | 23 | 23 |
| Interest rate swaps | 1,208 | - | (4) | - | 4 |
| Total (decrease)/increase | | (23) | (27) | 23 | 27 |
| As at 30 June 2009 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents (floating) | 15,482 | (54) | (54) | 54 | 54 |
| Interest rate swaps | 6,071 | - | (21) | - | 21 |
| Total (decrease)/increase | | (54) | (75) | 54 | 75 |

(e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the Group's and the Parent Entity's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

| | CONSOLIDATED AND PARENT ENTITY | | |
|-------------------------------------|--------------------------------|------------------|----------------|
| | \$000 Level 2 | \$000 Level 3 | \$000 Total |
| As at 30 June 2010 | | | |
| Assets | | | |
| Derivative financial instruments | 1,208 | - | 1,208 |
| Available for sale financial assets | - | 257 | 257 |
| Total assets | 1,208 | 257 | 1,465 |

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

For financial instruments not quoted in active markets, the Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable market inputs. These instruments are included in level 2.

The fair value of available for sale assets (included in level 3) have been estimated using valuation techniques based on assumptions, which are not supported by observable market prices or rates.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Inventories

The Group is required to carry inventory at lower of cost or net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. These estimates take into consideration fluctuations of price or costs directly related to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgement and are reviewed annually. The basis of the valuation for land owned by the Group is set out in note 10. The Group has expensed \$Nil (2009: \$27.4 million) in relation to inventory that was carried in excess of the net realisable value and development costs.

4 SEGMENT INFORMATION

Business segments

The Consolidated Entity is an Australian based entity having the following three business segments:

Funds management/land syndication

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

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.

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.

For internal reporting purposes management consider both 'The Village at Wellard' and 'Quattro – The New Queens Park' projects to be joint ventures. Quattro, however, is not considered a joint venture for statutory reporting purposes.

Geographical segments

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

Inter-segment transfers

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

4 SEGMENT INFORMATION (CONTINUED)

| | FUNDS MANAGEMENT/ LAND SYNDICATION | | COMPANY OWNED PROJECTS | | JOINT VENTURES | | INTER-SEGMENT ELIMINATIONS AND UNALLOCATED | | CONSOLIDATED | |
|---|---------------------------------------|---------|---------------------------|----------|----------------|--------|--|--------|--------------|----------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Primary reporting business segments | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| Sales to external customers | 36,540 | 36,683 | 116,235 | 125,508 | 19,967 | 11,369 | - | - | 172,742 | 173,560 |
| Total sales revenue | 36,540 | 36,683 | 116,235 | 125,508 | 19,967 | 11,369 | - | - | 172,742 | 173,560 |
| Share of net loss of associates | (7) | (1,702) | - | - | - | - | - | - | (7) | (1,702) |
| Other income | 167 | 191 | 1,454 | 949 | - | - | - | - | 1,621 | 1,140 |
| Interest | 930 | - | 64 | 65 | 32 | 323 | 2,633 | 1,752 | 3,659 | 2,140 |
| Total segment revenue | 37,630 | 35,172 | 117,753 | 126,522 | 19,999 | 11,692 | 2,633 | 1,752 | 178,015 | 175,138 |
| Result before write-down in carrying value of inventories, depreciation, financing costs, interest and finance charges amortised through cost of sales and income tax expense | 26,211 | 21,856 | 40,310 | 32,058 | 5,627 | 1,533 | 2,633 | 1,752 | 74,781 | 57,199 |
| Write-down in carrying value of inventories | - | - | - | (27,369) | - | - | - | - | - | (27,369) |
| EBITDA(i) | 26,211 | 21,856 | 40,310 | 4,689 | 5,627 | 1,533 | 2,633 | 1,752 | 74,781 | 29,830 |
| Depreciation | (244) | (286) | (961) | (351) | (261) | (111) | - | - | (1,466) | (748) |
| EBIT(ii) | 25,967 | 21,570 | 39,349 | 4,338 | 5,366 | 1,422 | 2,633 | 1,752 | 73,315 | 29,082 |
| Financing costs (includes interest and finance charges amortised through cost of sales) | | | | | | | | | (11,981) | (11,949) |
| Profit before income tax expense | | | | | | | | | 61,334 | 17,133 |
| Income tax expense | | | | | | | | | (19,223) | (5,114) |
| Profit for the year | | | | | | | | | 42,111 | 12,019 |

(i) EBITDA: Earnings Before Interest (including interest and finance charges amortised through cost of sales) Tax, Depreciation and Amortisation (ii) EBIT: Earnings Before Interest (including interest and finance charges amortised through cost of sales) and Tax

5 REVENUE

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Revenue from sale of land | 116,235 | 125,508 | 875 | 1,482 |
| Project management and performance fees | 35,325 | 36,104 | 34,956 | 45,159 |
| Joint venture | 18,833 | 10,342 | 1,279 | 701 |
| Revenue from other trading activities | | | | |
| - Syndicate administration fees | 1,170 | 1,104 | 1,170 | 1,104 |
| - Syndicate underwriting and capital raising fees | 1,179 | 502 | 1,179 | 502 |
| | 172,742 | 173,560 | 39,459 | 48,948 |
| Other revenue | | | | |
| - Dividends | 167 | 191 | 50,697 | 191 |
| - Interest | 3,659 | 2,140 | 1,986 | 1,208 |
| - Other | 1,454 | 949 | 58 | 29 |
| | 5,280 | 3,280 | 52,741 | 1,428 |
| | 178,022 | 176,840 | 92,200 | 50,376 |

6 EXPENSES

Profit before income tax includes the following specific expenses:

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Cost of inventories | | | | |
| Cost of inventories | 66,874 | 81,917 | 1,219 | 770 |
| Amortisation of interest and finance charges | 7,634 | 5,269 | 112 | - |
| | 74,508 | 87,186 | 1,331 | 770 |
| Depreciation | | | | |
| Property, plant and equipment | 1,466 | 748 | 671 | 438 |
| Finance costs | | | | |
| Interest and finance charges paid/payable ⁱ | 19,921 | 20,881 | (495) | 3,248 |
| Cash flow hedges – transfer from equity | 3,298 | 1,123 | 41 | 1,123 |
| Amount capitalised | (18,872) | (15,324) | (442) | - |
| | 4,347 | 6,680 | (896) | 4,371 |
| i. Interest and finance charges paid/payable at 30 June 2010 include the reversal of accruals from the previous period. | | | | |
| Discount on land vendor payments | | | | |
| Change in present value of land vendor payments | 5,597 | 10,528 | - | - |
| Capitalisation change in present value of land vendor payments | (5,597) | (10,528) | - | - |
| | - | - | - | - |
| Rental expense – relating to operating leases included in office costs | | | | |
| Minimum lease payments | 1,011 | 962 | 1,011 | 962 |
| Net loss on disposal of property, plant and equipment | - | 7 | - | 6 |
| Write-down in carrying value of inventories | | | | |
| Write-down of inventory to net realisable value | - | 26,250 | - | - |
| Write-off of development expenditure | - | 1,119 | - | 946 |
| | - | 27,369 | - | 946 |
| Other charges against assets | | | | |
| Bad debts – trade receivables | 6 | 53 | 6 | 6 |
| Write-down of investment in associates | 11 | 73 | 11 | 73 |

7 INCOMETAX

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Income tax expense | | | | | |
| Current tax | | 14,627 | - | 3,688 | 3,484 |
| Deferred tax | | 3,989 | 5,113 | 494 | 2,153 |
| Adjustments for current tax of prior periods | | (257) | 1 | 316 | 1 |
| Adjustments for deferred tax of prior periods | | 864 | - | (1,245) | - |
| | | 19,223 | 5,114 | 3,253 | 5,638 |
| Deferred income tax expense included in income tax expense comprises: | | | | | |
| Decrease/(increase) in deferred tax assets | 16 | 947 | (513) | 219 | (310) |
| Increase/(decrease) in deferred tax liabilities | 21 | 3,906 | 5,626 | (970) | 2,463 |
| | | 4,853 | 5,113 | (751) | 2,153 |
| Numerical reconciliation of income tax expense to prima facie tax payable | | | | | |
| Profit before income tax expense | | 61,334 | 17,133 | 68,851 | 34,916 |
| Tax at Australian tax rate of 30% (2009: 30%) | | 18,400 | 5,140 | 20,655 | 10,475 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income | | | | | |
| Entertainment | | 14 | 20 | 14 | 19 |
| Share of net loss of associates | | 1 | - | - | - |
| Employee benefits | | 251 | 10 | 251 | 10 |
| Tax consolidation distribution | | - | - | (1,529) | (4,810) |
| Intercompany distribution | | - | - | (15,159) | - |
| Dividend franking | | 19 | 25 | 19 | 25 |
| Franking rebate | | (69) | (82) | (69) | (82) |
| Under/(over) provision in prior years | | 607 | 1 | (929) | 1 |
| | | 19,223 | 5,114 | 3,253 | 5,638 |

7 INCOME TAX (CONTINUED)

Tax consolidation legislation

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

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

(a) Other income related to tax consolidation legislation

Peet Limited has recognised a tax consolidation distribution from wholly owned tax consolidated entities of \$5.1 million (2009: \$16.0 million). 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 | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Cash at bank and on hand | 26,558 | 47,906 | 6,501 | 15,482 |
| Term deposits | 14,516 | 75,210 | 14,516 | 75,210 |
| | 41,074 | 123,116 | 21,017 | 90,692 |

Credit risk and interest rate risk

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

9 RECEIVABLES (CURRENT AND NON-CURRENT)

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|--------------|--------|---------------|--------|
| | | 2010 | 2009 | 2010 | 2009 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Current | | | | | |
| Trade receivables - note (a) | | 14,271 | 4,710 | 3,692 | 4,005 |
| Accrued income - note (b) | | 21,267 | 23,893 | 21,331 | 21,128 |
| Tax related amounts receivable from wholly owned entities | 29(e) | - | - | 7,519 | 8,894 |
| Prepayments | | 1,588 | 588 | 725 | 569 |
| Other debtors - note (c) | | 1,480 | 2,628 | 230 | 223 |
| Amounts receivable from associates | 29(e) | 12,614 | 690 | 11,034 | 690 |
| | | 51,220 | 32,509 | 44,531 | 35,509 |
| Non-current | | | | | |
| Deferred facilities fee - note (e) | | 1,300 | 345 | - | - |
| Other debtors | | 22 | 22 | - | - |
| Amounts receivable from associates | 29(e) | 11,755 | - | 7,281 | - |
| | | 13,077 | 367 | 7,281 | - |
| Total receivables | | 64,297 | 32,876 | 51,812 | 35,509 |

(a) Impaired trade receivables

Trade receivables are non-interest bearing and generally have 30-60 day terms. Trade receivables as at 30 June 2010, for the Group, includes \$12.0 million receivable from Peet Point Cook Kingsford Syndicate in relation to the settlement of land made on terms. The \$12.0 million is due to be received in November 2010 as per the contract of sale. There were no impaired trade receivables and hence no provision for impaired trade receivables at the end of the year for either the Group or the Parent Entity (2009: \$Nil).

(b) Accrued income

These amounts represent project management and performance fees from associates.

(c) Other debtors

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

(d) Fair value and credit risk

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

(e) Deferred facilities fee

Homes in the Latitude Lakelands retirement village are sold to approved applicants on condition that every purchaser enters into an "Estate Lifestyle Agreement" with Secure Living Pty Limited, a wholly owned subsidiary of Peet Limited. The agreement includes a requirement to pay deferred facilities fees on departure by the resident, which is based on 3% of the market value of the unit (at the time of sale and departure) for each year of occupation up to a maximum of 24%.

As at 30 June 2010, the deferred facilities fee is accrued based on the independent valuation of the properties.

10 INVENTORIES (CURRENT AND NON-CURRENT)

| | CONSOLIDATED | | PARENT ENTITY | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Current | | | | |
| Cost of acquisition | 20,725 | 20,371 | - | 12 |
| Capitalised development costs | 34,940 | 47,489 | 2 | 325 |
| Capitalised finance costs | 9,168 | 8,402 | - | - |
| | 64,833 | 76,262 | 2 | 337 |
| Non-current | | | | |
| Cost of acquisition | 264,795 | 284,946 | 3,639 | 3,183 |
| Capitalised development costs | 49,924 | 46,700 | 2,180 | 2,720 |
| Capitalised finance costs | 38,840 | 22,771 | 1,112 | 782 |
| | 353,559 | 354,417 | 6,931 | 6,685 |
| Total carrying amount of inventories | 418,392 | 430,679 | 6,933 | 7,022 |

Write-down in carrying value of inventories

Write-down of inventories to net realisable value and development expenditure recognised as an expense during the year ended 30 June 2010 amounted to \$Nil (2009: \$27.4 million) for the Group (note 6).

Valuations

The valuations of land owned by the Consolidated Entity for the year ended 30 June 2010 is \$559 million (2009: \$537 million) exclusive of GST. The valuations were determined by independent valuers using the direct comparison approach or the discounted cash flow analysis method.

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

| | CONSOLIDATED | | PARENT ENTITY | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Peet Caboolture Syndicate Limited | 1,343 | 1,366 | - | - |
| Peet Tri State Syndicate Limited | 5,268 | 4,856 | - | - |
| Peet Alkimos Pty Limited | 24,647 | 25,012 | - | - |
| Other | 1,382 | 1,450 | - | - |
| | 32,640 | 32,684 | - | - |

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the Parent Entity (note 32).

12 NON-CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS

| | CONSOLIDATED | | PARENT ENTITY | |
|---------------------------|--------------|--------|---------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Peet Income Property Fund | 257 | 257 | 257 | 257 |

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

Included in available for sale investments in both the Group and the Parent Entity are units in the unlisted trust Peet Income Property Fund at a fair value of \$257,000 (2009: \$257,000). The Parent Entity owns 196,977 units (2009: 196,977 units) of the issued capital of Peet Income Property Fund. Peet Limited is the Responsible Entity for Peet Income Property Fund.

Information about the Group's and the Parent Entity's exposure to price risk is provided in note 2.

13 NON-CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS

| | CONSOLIDATED | | PARENT ENTITY | |
|---|--------------|--------|---------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest rate swap contracts – cash flow hedges | 1,208 | 6,071 | 1,208 | 6,071 |

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 (note 2).

Interest rate swap contracts – cash flow hedges

Bank loans of the Group currently bear a weighted average variable interest rate before hedges of 3.93% (2009: 5.10%). It is the Group's 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 93% (2009: 65%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 4.10% and 5.05% (2009: 4.10% and 5.05%) and the variable rates are between 3.15% and 4.76% (2009: 3.10% and 7.66%).

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

13 NON-CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate swap contracts – cash flow hedges (continued)

At 30 June 2010, the notional principal amounts and periods of expiry of the interest rate swap contracts were as follows:

| | CONSOLIDATED | | PARENT ENTITY | |
|-------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| 1 – 2 years | 50,000 | - | 50,000 | - |
| 2 – 3 years | - | 50,000 | - | 50,000 |
| 3 – 4 years | 75,000 | - | 75,000 | - |
| 4 + years | 75,000 | 150,000 | 75,000 | 150,000 |
| | 200,000 | 200,000 | 200,000 | 200,000 |

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedge reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. The ineffective portion is recognised in the statement of income immediately.

There was no ineffectiveness in the current year. In the prior year, a loss of \$402,425 relating to the ineffective portion of closed out hedged instruments (note 19) was recognised in the profit and loss and included in finance costs.

In relation to the closed out hedge arrangement \$3.3 million was recycled from the hedge reserve to finance costs in the current year (2009: \$1.1 million).

Credit risk and interest rate risk

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

14 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|-----------------------------|-----------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Investments in associates | 32 | - | - | 35,304 | 35,341 |
| Investments in subsidiaries | 33, 29(e) | - | - | 128,944 | 31,622 |
| | | - | - | 164,248 | 66,963 |

15 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED | | PARENT ENTITY | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Cost | 12,027 | 10,121 | 5,696 | 4,793 |
| Accumulated depreciation | (4,015) | (2,646) | (2,437) | (1,766) |
| | 8,012 | 7,475 | 3,259 | 3,027 |

Movement in property, plant and equipment:

Property, plant and equipment:

| | | | | |
|--|---------|---------|---------|---------|
| Cost | 6,355 | 5,009 | 4,793 | 4,253 |
| Accumulated depreciation | (2,646) | (1,774) | (1,766) | (1,332) |
| Carrying amount at 1 July | 3,709 | 3,235 | 3,027 | 2,921 |
| Additions | 1,797 | 1,229 | 903 | 550 |
| Transfer in from 'property under construction' | 3,311 | - | - | - |
| Disposals | (12) | (7) | - | (6) |
| Depreciation | (1,466) | (748) | (671) | (438) |
| Carrying amount at 30 June | 7,339 | 3,709 | 3,259 | 3,027 |

Movement in property under construction:

Property under construction:

| | | | | |
|---|---------|-------|-------|-------|
| Cost | 3,766 | 1,531 | - | - |
| Carrying amount at 1 July | 3,766 | 1,531 | - | - |
| Additions | 218 | 2,235 | - | - |
| Transfer to 'property, plant and equipment' | (3,311) | - | - | - |
| Carrying amount at 30 June | 673 | 3,766 | - | - |
| Total carrying amount at 30 June | 8,012 | 7,475 | 3,259 | 3,027 |

Refer to note 19(a) for information on non-current assets pledged as security by the Parent Entity and its controlled entities.

16 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| The balance comprises temporary differences attributable to: | | | | | |
| Accrued expenses and provisions | | 1,070 | 688 | 1,045 | 478 |
| Rebates provision | | 411 | 1,476 | 16 | 135 |
| Staff provisions | | 330 | 272 | 319 | 272 |
| Inventory | | 132 | 385 | - | 253 |
| Other | | 1 | 3 | 1 | 2 |
| Capital raising costs | | 657 | 1,050 | 657 | 1,050 |
| Write-downs in the tax cost base of inventories | | 393 | - | - | - |
| | | 2,994 | 3,874 | 2,038 | 2,190 |
| Set off against deferred tax liabilities pursuant to set off provisions | 21 | (2,994) | (3,874) | (2,038) | (2,190) |
| | | - | - | - | - |
| Movements (pre set-off): | | | | | |
| Opening balance at 1 July | | 3,874 | 2,692 | 2,190 | 1,211 |
| (Charged)/credited to the statement of income | 7 | (947) | 513 | (219) | 310 |
| Credited directly to equity | | 67 | 669 | 67 | 669 |
| Closing balance at 30 June | | 2,994 | 3,874 | 2,038 | 2,190 |
| Deferred tax assets to be recovered within 12 months | | 1,533 | 1,348 | 1,365 | 1,005 |
| Deferred tax assets to be recovered after more than 12 months | | 1,461 | 2,526 | 673 | 1,185 |
| | | 2,994 | 3,874 | 2,038 | 2,190 |

17 PAYABLES (CURRENT AND NON-CURRENT)

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Current | | | | |
| Trade payables | 4,190 | 6,211 | 436 | 641 |
| Other payables | 20,858 | 18,652 | 5,109 | 3,710 |
| | 25,048 | 24,863 | 5,545 | 4,351 |
| Non-current | | | | |
| Owing to controlled entities – note (a) | - | - | 2 | 2 |
| | - | - | 2 | 2 |

(a) Terms and conditions on amounts owing to controlled entities are set out in note 29.

18 LAND VENDOR LIABILITIES (CURRENT AND NON-CURRENT)

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Current | | | | |
| Instalment for purchase of development property | 44,240 | 29,565 | - | - |
| Future interest component of deferred payment | (2,000) | (824) | - | - |
| | 42,240 | 28,741 | - | - |
| Non-current | | | | |
| Instalment for purchase of development property | 25,574 | 66,755 | - | - |
| Future interest component of deferred payment | (7,550) | (14,323) | - | - |
| | 18,024 | 52,432 | - | - |
| Total land vendor liabilities | 60,264 | 81,173 | - | - |

The deferred payment terms for land vendor liabilities are disclosed in accordance with note 1(q). Generally, the land vendor holds the title over the property until settlement has occurred.

19 BORROWINGS (CURRENT AND NON-CURRENT)

| | CONSOLIDATED | | PARENT ENTITY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Current | | | | |
| Bank loans – secured | - | 68,790 | - | 19,500 |
| Other loans – fixed | 1,043 | 981 | 1,043 | 981 |
| | 1,043 | 69,771 | 1,043 | 20,481 |
| Non-current | | | | |
| Bank loans – secured | 215,100 | 233,100 | - | 5,670 |
| Intercompany debt from Peet Treasury Pty Limited | - | - | 2,617 | - |
| Other loans – fixed | 3,690 | 4,733 | 3,690 | 4,733 |
| | 218,790 | 237,833 | 6,307 | 10,403 |
| Total borrowings | 219,833 | 307,604 | 7,350 | 30,884 |

Other loans

On 30 April 2009, Peet Limited entered into an agreement with the National Australia Bank for the payment of \$5.9 million for the close out of three interest rate swap contracts with a total notional value of \$100 million.

19 BORROWINGS (CURRENT AND NON-CURRENT) (CONTINUED)

(a) Assets pledged as security

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

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Current assets | | | | | |
| First Mortgage | | | | | |
| Inventories | 10,18 | 22,593 | 47,521 | 2 | 337 |
| Floating Charge | | | | | |
| Cash and cash equivalents | 8 | 41,074 | 123,116 | 21,017 | 90,692 |
| Receivables | 9 | 51,220 | 32,509 | 44,531 | 35,509 |
| | | 92,294 | 155,625 | 65,548 | 126,201 |
| Total current assets pledged as security | | 114,887 | 203,146 | 65,550 | 126,538 |
| Non-current assets | | | | | |
| First Mortgage | | | | | |
| Inventories | 10,18 | 335,535 | 301,985 | 6,931 | 6,685 |
| Floating Charge | | | | | |
| Receivables | 9 | 13,077 | 367 | 7,281 | - |
| Available for sale financial assets | 12 | 257 | 257 | 257 | 257 |
| Other financial assets | 14 | - | - | 164,248 | 66,963 |
| Property, plant and equipment | 15 | 8,012 | 7,475 | 3,259 | 3,027 |
| | | 21,346 | 8,099 | 175,045 | 70,247 |
| Total non-current assets pledged as security | | 356,881 | 310,084 | 181,976 | 76,932 |
| Total assets pledged as security | | 471,768 | 513,230 | 247,526 | 203,470 |

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

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

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

19 BORROWINGS (CURRENT AND NON-CURRENT) (CONTINUED)

(b) Financing arrangements

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

| | CONSOLIDATED | |
|-------------------------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| Total facilities | | |
| Bank loan facilities | 291,823 | 309,314 |
| Bank guarantees | 25,910 | 50,000 |
| Credit cards | 75 | 75 |
| | 317,808 | 359,389 |
| Used at balance date | | |
| Bank loan facilities | 219,833 | 307,604 |
| Bank guarantees | 18,130 | 17,177 |
| Credit cards | 20 | 31 |
| | 237,983 | 324,812 |
| Unused at balance date | | |
| Bank loan facilities | 71,990 | 1,710 |
| Bank guarantees | 7,780 | 32,823 |
| Credit cards | 55 | 44 |
| | 79,825 | 34,577 |

Parent Entity facilities are not disclosed as the Parent Entity does not transact with financial institutions in its own right, but rather Peet Treasury Pty Limited, a wholly owned subsidiary of Peet Limited, manages the Group's treasury function.

The terms and conditions of the Consolidated Entity's borrowing facilities are as follows:

| TYPE OF FACILITY | LIMIT \$'000 | MATURITY DATE |
|---|-----------------|---------------|
| Revolving Multi-Option Facility | 205,000 | 1 Oct 2012 |
| Bank Guarantee Facility | 20,000 | 1 Oct 2012 |
| Revolving Multi-Option Facility – Joint Venture | 19,090 | 1 Oct 2012 |
| Bank Guarantee Facility – Joint Venture | 910 | 1 Oct 2012 |
| Business Credit Card Facility | 75 | 1 Oct 2012 |
| Multi-Option Facility | 63,000 | 1 Jul 2011 |
| Bank Guarantee Facility | 5,000 | 1 Oct 2012 |
| Fixed Interest Loan | 4,733 | 29 Apr 2016 |

(c) Interest rate risk and liquidity risk

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

(d) Fair value

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

20 PROVISIONS (CURRENT AND NON-CURRENT)

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Current | | | | |
| Rebates - note (a) | 2,340 | 5,179 | 54 | 448 |
| Employee entitlements - long service leave - note (b) | 300 | 272 | 295 | 272 |
| | 2,640 | 5,451 | 349 | 720 |
| Non-current | | | | |
| Employee entitlements - long service leave - note (b) | 90 | 35 | 83 | 35 |

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

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Carrying amount at 1 July | 5,179 | 6,139 | 448 | 929 |
| Charged/(credited) to the statement of income | | | | |
| - Additional provision recognised | 2,627 | 3,154 | - | 151 |
| - Paid during the year | (2,864) | (4,114) | (115) | (632) |
| - Expired during the year | (2,602) | - | (279) | - |
| Carrying amount at 30 June | 2,340 | 5,179 | 54 | 448 |

(a) Rebates

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

(b) Long service leave

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

21 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| The balance comprises temporary differences attributable to: | | | | | |
| Borrowing and interest costs | | 16,707 | 13,729 | 306 | 234 |
| Accrued income | | 9,838 | 7,168 | 6,399 | 6,339 |
| Write-downs in tax cost base of inventories | | - | 533 | - | - |
| Depreciation | | 70 | 232 | 96 | 209 |
| Prepayments | | - | 58 | - | - |
| Cash flow hedges | | 362 | 1,821 | 362 | 1,821 |
| | | 26,977 | 23,541 | 7,163 | 8,603 |
| Set-off against deferred tax assets pursuant to set-off provisions | 16 | (2,994) | (3,874) | (2,038) | (2,190) |
| Net deferred tax liabilities | | 23,983 | 19,667 | 5,125 | 6,413 |
| Movements (pre set-off): | | | | | |
| Opening balance at 1 July | | 23,541 | 18,152 | 8,603 | 6,377 |
| Charged/(credited) to the statement of income | 7 | 3,906 | 5,626 | (970) | 2,463 |
| Credited directly to equity - cash flow hedges | | (470) | (237) | (470) | (237) |
| Closing balance at 30 June | | 26,977 | 23,541 | 7,163 | 8,603 |
| Deferred tax liabilities to be settled within 12 months | | 9,838 | 7,226 | 6,399 | 6,339 |
| Deferred tax liabilities to be settled after more than 12 months | | 17,139 | 16,315 | 764 | 2,264 |
| | | 26,977 | 23,541 | 7,163 | 8,603 |

22 CONTRIBUTED EQUITY

(a) Share capital

| | CONSOLIDATED AND PARENT ENTITY | | | |
|------------------------------|--------------------------------|----------------|----------------|----------------|
| | 2010 Shares | 2009 Shares | 2010 \$'000 | 2009 \$'000 |
| Paid up capital | | | | |
| Ordinary shares – fully paid | 300,681,486 | 294,087,378 | 176,025 | 163,354 |

Movements in ordinary share capital

| DATE | DETAILS | | NUMBER OF SHARES | \$'000 |
|-------------------|---|---|---------------------|---------|
| 1 July 2008 | Opening balance | | 222,138,454 | 85,914 |
| 19 September 2008 | Exercise of options | c | 100,000 | 145 |
| 14 April 2009 | Institutional Entitlement Offer | d | 58,659,425 | 64,525 |
| 7 May 2009 | Retail Entitlement Offer | d | 11,989,499 | 13,188 |
| 15 June 2009 | Exercise of Director options | c | 1,200,000 | 1,440 |
| | Less: Transaction costs arising on share issue | e | | (2,654) |
| | Deferred tax credit recognised directly in equity | | | 796 |
| 30 June 2009 | Balance | | 294,087,378 | 163,354 |
| 1 July 2009 | Transfer of exercised options (prior periods) | | | 498 |
| 28 July 2009 | Exercise of options | c | 40,000 | 48 |
| 28 July 2009 | Transfer of exercised options | | | 8 |
| 8 October 2009 | Dividend Reinvestment Plan | f | 5,237,070 | 9,270 |
| 16 April 2010 | Dividend Reinvestment Plan | f | 1,317,038 | 3,003 |
| | Less: Transaction costs arising on share issue | e | | (223) |
| | Deferred tax credit recognised directly in equity (note 16) | | | 67 |
| 30 June 2010 | Balance | | 300,681,486 | 176,025 |

(b) Ordinary shares

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

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

(c) Options

Information relating to the Peet Limited Employee Share Option Plan, including details of the options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 36.

(d) Entitlement offer

On 27 March 2009, the Company launched a 1 for 3 accelerated non-renounceable pro-rata entitlement offer ("Entitlement Offer") at an issue price of \$1.10 per share.

22 CONTRIBUTED EQUITY (CONTINUED)

(e) Transaction costs

The transaction costs represent the costs of issuing shares.

(f) Dividend Reinvestment Plan (DRP)

The Company's DRP provided shareholders with an opportunity to acquire additional shares in the Company during the year.

(g) Capital risk management

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

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

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

During 2010, the Group's strategy which was unchanged from 2009, was to target a gearing ratio of between 30% and 40%. At 30 June 2010, the gearing ratio was 29.5% (2009: 33.9%).

23 RESERVES AND RETAINED PROFITS

| | CONSOLIDATED | | PARENT ENTITY | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Reserves | | | | |
| Cash flow hedges reserve | (254) | 841 | (254) | 841 |
| Share-based payments reserve | 1,621 | 1,319 | 1,621 | 1,319 |
| | 1,367 | 2,160 | 1,367 | 2,160 |
| Movements | | | | |
| Cash flow hedges reserve | | | | |
| Balance 1 July | 841 | 771 | 841 | 771 |
| Revaluation – gross | (4,863) | 438 | (4,863) | 438 |
| Deferred tax | 470 | (1,491) | 470 | (1,491) |
| Transfer to profit and loss | 3,298 | 1,123 | 3,298 | 1,123 |
| Balance 30 June | (254) | 841 | (254) | 841 |
| Share-based payments reserve | | | | |
| Balance 1 July | 1,319 | 1,351 | 1,319 | 1,351 |
| Employee share benefit expense | 808 | (32) | 808 | (32) |
| Transfer of exercised options | (506) | - | (506) | - |
| Balance 30 June | 1,621 | 1,319 | 1,621 | 1,319 |

23 RESERVES AND RETAINED PROFITS (CONTINUED)

Cash flow hedges reserve

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

Share-based payments reserve

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

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Retained profits | | | | | |
| Retained profits at the beginning of the financial year | | 37,149 | 55,688 | 9,920 | 11,200 |
| Profit for the year | | 42,111 | 12,019 | 65,598 | 29,278 |
| Dividends provided for or paid | 24 | (23,740) | (30,558) | (23,740) | (30,558) |
| Retained profits at the end of the financial year | | 55,520 | 37,149 | 51,778 | 9,920 |

24 DIVIDENDS

(a) Dividends paid

| | CENTS PER SHARE | TOTAL AMOUNT \$'000 | DATE OF PAYMENT | FRANKED/ UNFRANKED |
|-----------------------|--------------------|---------------------------|--------------------|-----------------------|
| 2010 | | | | |
| Interim 2010 ordinary | 4.00 | 11,975 | 16 April 2010 | Franked |
| Final 2009 ordinary | 4.00 | 11,765 | 8 October 2009 | Franked |
| Total amount | 8.00 | 23,740 | | |
| 2009 | | | | |
| Interim 2009 ordinary | 3.00 | 6,668 | 17 April 2009 | Franked |
| Final 2008 ordinary | 10.75 | 23,890 | 16 October 2008 | Franked |
| Total amount | 13.75 | 30,558 | | |

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

24 DIVIDENDS (CONTINUED)

(b) Dividends not recognised at year end

After the balance date the following dividends were proposed by the Directors.

| | CENTS PER SHARE | TOTAL AMOUNT \$'000 | DATE OF PAYMENT | FRANKED/ UNFRANKED |
|---------------------|--------------------|---------------------------|--------------------|-----------------------|
| Final 2010 ordinary | 4.50 | 13,531 | 15 October 2010 | 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 2010 and will be recognised in subsequent financial reports. The declaration and subsequent payment of this dividend have no income tax consequences.

(c) Dividend Reinvestment Plan (DRP)

The Company's DRP which provides shareholders with an opportunity to acquire shares in the Company remains in place. This provides shareholders with the choice of reinvesting some or all of their dividends in shares (at a discount) rather than receiving those dividends in cash.

(d) Dividend franking account

| | PARENT ENTITY | |
|---|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| The amount of franking credits/(debits) available for the subsequent financial year are: | | |
| (a) Franking account balance as at the end of the financial year at 30% (2009: 30%) | 2,451 | 7,603 |
| (b) Franking credits/(debits) that will arise from the payment/(receipt) of income tax payable/ (receivable) | 1,110 | (8,298) |
| | 3,561 | (695) |

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 \$5.8 million (2009: \$5.0 million). 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.

25 REMUNERATION OF AUDITORS

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Audit services | | | | |
| Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> | | | | |
| PricewaterhouseCoopers Australian firm | 218,730 | 193,950 | 218,730 | 193,950 |
| Non-PricewaterhouseCoopers audit firms | - | 23,250 | - | 6,650 |
| Total remuneration for audit services | 218,730 | 217,200 | 218,730 | 200,600 |
| Other assurance services | | | | |
| PricewaterhouseCoopers Australian firm | 79,038 | 103,600 | 79,038 | 19,700 |
| Non-PricewaterhouseCoopers audit firms | 37,116 | 27,768 | 37,116 | 8,240 |
| Total remuneration for other assurance services | 116,154 | 131,368 | 116,154 | 27,940 |
| Total remuneration for audit and other assurance services | 334,884 | 348,568 | 334,884 | 228,540 |
| Taxation services | | | | |
| Tax compliance services including review of Company income tax returns | | | | |
| PricewaterhouseCoopers Australian firm | 70,549 | 150,185 | 65,500 | 93,950 |
| Non-PricewaterhouseCoopers tax firms | 18,193 | 8,652 | 18,193 | 27,060 |
| Total remuneration for taxation services | 88,742 | 158,837 | 83,693 | 121,010 |

26 CONTINGENCIES

Contingent liabilities

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

| | CONSOLIDATED | | PARENT ENTITY | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Underwriting obligations outstanding | 11,197 | 197 | 11,197 | 197 |
| Financial bank guarantees | - | 5,400 | - | 5,400 |
| Bank guarantees outstanding | 18,130 | 17,177 | 4,706 | 3,442 |
| | 29,327 | 22,774 | 15,903 | 9,039 |

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

Contingent assets

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

27 COMMITMENTS

Operating Leases

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

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Payable | | | | |
| - Not later than one year | 1,565 | 1,454 | 1,565 | 1,454 |
| - Later than one year but not later than five years | 4,666 | 6,004 | 4,666 | 6,004 |
| - Later than five years | - | 227 | - | 227 |
| | 6,231 | 7,685 | 6,231 | 7,685 |

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

28 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Non-executive Chairman

AW Lennon

Non-executive Directors

WD Hemsley

SF Higgs

GW Sinclair

Executive Directors

BD Gore

AJ Lennon

(b) Other key management personnel

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

| Name | Position |
|------------|--------------------------|
| M Pisano | Chief Financial Officer |
| D Cooper | Chief Operating Officer |
| P Dumas | Head of Funds Management |
| D Scafetta | Group Company Secretary |

28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Directors and key management personnel compensation

| | CONSOLIDATED | | PARENT ENTITY | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ |
| Short-term employee benefits | 4,045,373 | 2,681,028 | 4,045,373 | 2,681,028 |
| Post employment benefits | 151,981 | 165,055 | 151,981 | 165,055 |
| Long-term and termination benefits | - | - | - | - |
| Share-based payments | 554,849 | 595,419 | 554,849 | 595,419 |
| | 4,752,203 | 3,441,502 | 4,752,203 | 3,441,502 |

Detailed remuneration disclosures are provided in the Remuneration Report in note 14 within the Directors' Report.

(d) Equity instrument disclosures relating to key management personnel

Option and performance rights holdings

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

| | | Balance at the start of the year | Granted during the year | Exercised during the year | Lapsed during the year | Balance at the end of the year | Vested and exercisable at the end of the year |
|------------------|------|--|-------------------------------|---------------------------------|------------------------------|--------------------------------------|--|
| Directors | | | | | | | |
| AW Lennon | 2010 | - | - | - | - | - | - |
| | 2009 | - | - | - | - | - | - |
| WD Hemsley | 2010 | - | - | - | - | - | - |
| | 2009 | 600,000 | - | (600,000) | - | - | - |
| SF Higgs | 2010 | - | - | - | - | - | - |
| | 2009 | - | - | - | - | - | - |
| GW Sinclair | 2010 | - | - | - | - | - | - |
| | 2009 | - | - | - | - | - | - |
| BD Gore | 2010 | 2,790,000 | 869,121 | - | - | 3,659,121 | 170,000 |
| | 2009 | 1,370,000 | 1,420,000 | - | - | 2,790,000 | 170,000 |
| AJ Lennon | 2010 | 435,000 | - | - | - | 435,000 | - |
| | 2009 | 600,000 | 435,000 | (600,000) | - | 435,000 | - |

28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to key management personnel (continued)

Option and performance rights holdings (continued)

| | | Balance at the start of the year | Granted during the year | Exercised during the year | Lapsed during the year | Balance at the end of the year | Vested and exercisable at the end of the year |
|---------------------------------------|------|----------------------------------|-------------------------|---------------------------|------------------------|--------------------------------|---|
| Other key management personnel | | | | | | | |
| D Cooper | 2010 | 435,000 | 257,669 | - | - | 692,669 | - |
| | 2009 | - | 435,000 | - | - | 435,000 | - |
| M Pisano | 2010 | 325,000 | 122,699 | - | - | 447,699 | - |
| | 2009 | - | 325,000 | - | - | 325,000 | - |
| P Dumas | 2010 | 360,000 | 248,466 | - | - | 608,466 | - |
| | 2009 | - | 360,000 | - | - | 360,000 | - |
| D Scafetta | 2010 | 220,000 | 122,699 | - | - | 342,699 | - |
| | 2009 | - | 220,000 | - | - | 220,000 | - |

During the financial year Nil options (2009: 1,200,000) were exercised by Directors or other key management personnel.

Share holdings

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

| | | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---------------------------------------|------|----------------------------------|---|-------------------------------|--------------------------------|
| Directors | | | | | |
| AW Lennon ¹ | 2010 | 78,548,323 | - | 1,593,123 | 80,141,446 |
| | 2009 | 70,010,448 | - | 8,537,875 | 78,548,323 |
| WD Hemsley | 2010 | 20,663,600 | - | - | 20,663,600 |
| | 2009 | 20,063,600 | 600,000 | - | 20,663,600 |
| SF Higgs | 2010 | 800,000 | - | (400,000) | 400,000 |
| | 2009 | 800,000 | - | - | 800,000 |
| GW Sinclair | 2010 | 79,000 | - | - | 79,000 |
| | 2009 | 62,000 | - | 17,000 | 79,000 |
| BD Gore | 2010 | - | - | - | - |
| | 2009 | - | - | - | - |
| AJ Lennon ¹ | 2010 | 829,393 | - | 105,027 | 934,420 |
| | 2009 | 203,294 | 600,000 | 26,099 | 829,393 |
| Other key management personnel | | | | | |
| D Cooper | 2010 | 4,000 | - | - | 4,000 |
| | 2009 | 4,000 | - | - | 4,000 |
| M Pisano | 2010 | - | - | - | - |
| | 2009 | - | - | - | - |
| P Dumas | 2010 | - | - | - | - |
| | 2009 | - | - | - | - |
| D Scafetta | 2010 | 284,000 | - | - | 284,000 |
| | 2009 | 284,000 | - | - | 284,000 |

1. AW Lennon and AJ Lennon are beneficiaries of the Gwenton Trust, which is a discretionary family trust. AW Lennon holds 14,496 shares in his own name, and 35,786 shares as trustee for the Trofie Superfund. The remaining 80,091,164 shares are 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.

29 RELATED PARTIES

(a) Parent Entity

Peet Limited is the ultimate Australian Parent Entity.

(b) Controlled entities

Interests in controlled entities are set out in note 33. Interests held in associates are set out in note 32.

(c) Key management personnel

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

(d) Transactions with related parties

Transactions with subsidiaries

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

During the year ended 30 June 2010 the Company derived the following revenue and fees from its subsidiaries:

| | CONSOLIDATED | | PARENT ENTITY | |
|-------------------------|--------------|------|---------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$ | \$ | \$ | \$ |
| Project management fees | - | - | - | 10,098,425 |
| Dividend revenue | - | - | 50,530,154 | - |
| | - | - | 50,530,154 | 10,098,425 |

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

Tax consolidation regime

The Company has included \$16,837,496 (2009: \$12,561,017) in respect to its subsidiaries' contributions towards the Group's tax obligations as set out in the tax sharing and funding agreement.

The Company has recognised a tax consolidation distribution from wholly owned tax consolidated entities for the year ended 30 June 2010 of \$5,095,765 (2009: \$16,033,040). The tax consolidation distribution arose as a result of a transfer of tax losses to the Parent Entity for no compensation and is included as other income of the Parent Entity.

29 RELATED PARTIES (CONTINUED)

(d) Transactions with related parties (continued)

Transactions with associates

During the year ended 30 June 2010, the Company derived the following revenue and fees from associates:

| | CONSOLIDATED | | PARENT ENTITY | |
|---|--------------|------------|---------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$ | \$ | \$ | \$ |
| Revenue from sale of land | 32,050,000 | - | - | - |
| Project management and performance fees | 34,190,047 | 35,075,980 | 33,833,921 | 35,075,980 |
| Syndicate underwriting and capital raising fees | 1,179,212 | 502,170 | 1,179,212 | 502,170 |
| Syndicate administration fees | 1,169,875 | 1,103,738 | 1,169,875 | 1,103,738 |
| Dividends | 167,268 | 190,623 | 167,268 | 190,623 |
| Interest | 733,287 | - | 728,931 | - |
| | 69,489,689 | 36,872,511 | 37,079,207 | 36,872,511 |

(e) Outstanding balances

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

| | NOTES | PARENT ENTITY | |
|-------------------------------------|-------|---------------|------------|
| | | 2010 | 2009 |
| | | \$ | \$ |
| Payable to subsidiaries | | | |
| Non-current | 17 | 1,767 | 2,002 |
| Receivable from subsidiaries | | | |
| Current | | | |
| Tax funding agreement | 9 | 7,518,643 | 8,893,782 |
| Trade and sundry debtors | | 2,579,077 | - |
| | | 10,097,720 | 8,893,782 |
| Non-current | | | |
| Loans to subsidiaries - note (a) | 14 | 128,943,977 | 31,621,935 |
| Total receivable from subsidiaries | | 139,041,697 | 40,515,717 |

(a) 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.

29 RELATED PARTIES (CONTINUED)

(e) Outstanding balances (continued)

| | PARENT ENTITY | |
|---|---------------|--------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Movements in loans to subsidiaries | | |
| Beginning of the year | 31,621,935 | 61,015,776 |
| Loans advanced | 171,551,185 | 41,183,827 |
| Loan repayments received | (79,241,509) | (70,577,668) |
| Expenses paid on behalf of subsidiaries | 5,012,366 | - |
| End of year | 128,943,977 | 31,621,935 |

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

| | NOTES | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|--------------|------------|---------------|------------|
| | | 2010 | 2009 | 2010 | 2009 |
| | | \$ | \$ | \$ | \$ |
| Current | | | | | |
| Trade and other receivables | | 22,169,464 | 22,623,756 | 22,343,603 | 22,623,756 |
| Loans to associates | 9 | 12,613,841 | 690,412 | 11,033,841 | 690,412 |
| | | 34,783,305 | 23,314,168 | 33,377,444 | 23,314,168 |
| Non-current | | | | | |
| Loans to associates | 9 | 11,755,337 | - | 7,280,981 | - |
| Total amount owing by associates | | 46,538,642 | 23,314,168 | 40,658,425 | 23,314,168 |
| Movements in loans to associates | | | | | |
| Beginning of the year | | 690,412 | 331 | 690,412 | 331 |
| Loans advanced to associates | | 16,538,000 | 690,081 | 16,538,000 | 690,081 |
| Loan repayments from associates | | (56,412) | - | (56,412) | - |
| Vendor finance | | 6,054,356 | - | - | - |
| Other | | 1,142,822 | - | 1,142,822 | - |
| End of year | | 24,369,178 | 690,412 | 18,314,822 | 690,412 |

Outstanding balances

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

The Group has agreed to provide certain associates of the Group with short-term working capital loan facilities on commercial terms. Details of these loans are as follows:

| ASSOCIATE | LOAN FACILITY LIMIT | INTEREST RATE | SECURITY | EXPIRY DATE |
|----------------------------------|---------------------|-------------------------|---|-------------|
| Peet Tri State Syndicate Limited | \$7,000,000 | 4% above BBSY per annum | Second ranking mortgage over the Syndicate property | 31 Dec 2010 |
| Peet Beachton Syndicate Limited | \$5,000,000 | 4% above BBSY per annum | Second ranking mortgage over the Syndicate property | 31 Dec 2010 |

29 RELATED PARTIES (CONTINUED)

(e) Outstanding balances (continued)

During the year the Group provided a subordinated loan of \$2,130,000 to Peet Alkimos Pty Limited, an associate of the Group. The loan is on commercial terms at an interest rate of 10% per annum and is due to expire in October 2012. The subordinated loan was used to partially repay the Senior Debt facility.

The Group has also provided a loan of \$5,522,000 to Peet Caboolture Limited. This loan represents Peet's 20% proportional contribution towards repaying the syndicate's \$27,000,000 debt facility and project costs, with the other shareholder also contributing funds. The loan is interest free and has no fixed maturity date.

Allowance for impairment loss on trade receivables

For the year ended 30 June 2010, the Group has not made any allowance for impairment losses relating to amounts owed by related parties as the payment history has been excellent (2009: \$Nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for impairment loss.

30 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Company has a land parcel of 151-hectares in the northern coastal suburb of Yanchep, Western Australia, under contract for the purpose of a Peet land syndicate.

Since year end, the Group has provided loans in aggregate of up to \$5.31 million to various associates for working capital purposes. The loans were provided on commercial terms.

No other 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.

31 CASH FLOW INFORMATION

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | CONSOLIDATED | | PARENT ENTITY | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Cash at bank and on hand | 26,558 | 47,906 | 6,501 | 15,482 |
| Term deposit | 14,516 | 75,210 | 14,516 | 75,210 |
| | 41,074 | 123,116 | 21,017 | 90,692 |

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

| | CONSOLIDATED | | PARENT ENTITY | |
|--|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Profit for the year | 42,111 | 12,019 | 65,598 | 29,278 |
| Add/(deduct) non-cash items: | | | | |
| Depreciation | 1,466 | 748 | 671 | 438 |
| Write-down of investments | 11 | 73 | 11 | 73 |
| Write-down of inventories | - | 27,369 | - | 946 |
| Net loss on sale of non-current assets | - | 7 | - | 6 |
| Employee share-based payments | 808 | (32) | 808 | (32) |
| Equity accounting for investments in associates | 7 | 1,702 | - | - |
| Amortisation of closed out hedges | 3,298 | 1,123 | 41 | 1,123 |
| Add/(deduct) other items: | | | | |
| Dividend income classified as cash flows from investing | (167) | (191) | (50,697) | (191) |
| Interest received classified as cash flows from investing | (2,923) | (2,140) | (1,250) | (1,208) |
| Change in operating assets and liabilities during the financial year: | | | | |
| Increase in receivables | (15,100) | (1,845) | (14,292) | (9,463) |
| Decrease/(Increase) in inventories | 12,287 | (3,630) | 89 | 673 |
| Increase/(Decrease) in tax liabilities | 9,408 | (15,966) | 9,408 | (15,966) |
| (Decrease)/Increase in payables | (20,724) | (19,864) | 1,194 | (301) |
| Decrease in provisions | (2,756) | (958) | (323) | (479) |
| Increase/(Decrease) in deferred tax liabilities | 4,853 | 4,207 | (751) | 1,247 |
| Net cash inflow from operating activities | 32,579 | 2,622 | 10,507 | 6,144 |

32 INVESTMENTS IN ASSOCIATES

| NAME OF ASSOCIATE | OWNERSHIP INTEREST | | CONSOLIDATED | | PARENT ENTITY | |
|---|--------------------|-----------|----------------|----------------|----------------|----------------|
| | 2010 % | 2009 % | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Peet & Co Casey Land Syndicate Limited | 0.54 | 0.54 | 18 | 17 | 10 | 10 |
| Peet Alkimos Pty Limited | 13.62 | 13.62 | 24,647 | 25,012 | 25,260 | 25,260 |
| Peet Baldivis Syndicate Limited (in liquidation) | 0.39 | 0.39 | 2 | 9 | 2 | 2 |
| Peet Bayonet Head Syndicate Limited | 0.56 | 0.56 | 2 | 2 | 6 | 6 |
| Peet Beachton Syndicate Limited | 0.31 | 0.31 | 19 | 44 | 46 | 46 |
| Peet Botanic Village Syndicate Limited | 0.69 | 0.69 | 117 | 117 | 125 | 125 |
| Peet Byford Syndicate Limited | 0.15 | 0.15 | 12 | 12 | 13 | 13 |
| Peet Caboolture Syndicate Limited | 20.00 | 20.00 | 1,343 | 1,366 | 1,600 | 1,600 |
| Peet Cardinia Lakes Syndicate Limited | 0.21 | 0.21 | 38 | 41 | 42 | 42 |
| Peet Cranbourne Syndicate Limited | 1.56 | 1.56 | 289 | 296 | 311 | 311 |
| Peet Cranbourne Central Syndicate Limited | 0.05 | 0.05 | 9 | 9 | 10 | 10 |
| Peet Forrestdale Syndicate Limited | 0.70 | 0.70 | 14 | 17 | 23 | 23 |
| Peet Mandurah Syndicate Limited | 1.25 | 1.25 | 197 | 126 | 80 | 80 |
| Peet Mundijong Syndicate Limited | 0.22 | 0.22 | 50 | 50 | 52 | 52 |
| Peet Oakford Land Syndicate Limited | 0.37 | 0.37 | 6 | 6 | 7 | 7 |
| Peet Point Cook Kingsford Syndicate | 0.15 | - | 15 | - | 16 | - |
| Peet Tarneit Gardens Syndicate Limited | 1.29 | 1.29 | 141 | 161 | 91 | 126 |
| Peet Tarneit Rise Syndicate Limited | 0.33 | 0.33 | 54 | 66 | 50 | 55 |
| Peet Tri State Syndicate Limited | 24.43 | 24.43 | 5,268 | 4,856 | 7,270 | 7,270 |
| Peet Warner Lakes Syndicate Limited | 1.56 | 1.56 | 371 | 417 | 270 | 270 |
| Peet Windsor Park Syndicate Limited | 0.07 | 0.07 | 14 | 12 | 6 | 8 |
| Other | | | 14 | 48 | 14 | 25 |
| | | | 32,640 | 32,684 | 35,304 | 35,341 |

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

(a) Movements in carrying amounts of investments in associates

| | PARENT ENTITY | |
|--|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| Carrying amount at the beginning of the financial year | 32,684 | 26,235 |
| Acquisitions | 5 | 8,156 |
| Disposals/capital returns | (42) | (5) |
| Share of loss after income tax (b) | (7) | (1,702) |
| Carrying amount at the end of the financial year | 32,640 | 32,684 |

32 INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Share of associates loss

| | PARENT ENTITY | |
|------------------------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| Share of associates loss (c) | (7) | (1,702) |

(c) Summarised financial information of associates

| NAME OF ASSOCIATES | AS AT 30 JUNE 2010 GROUP'S SHARE OF: | | | |
|--|--------------------------------------|-----------------------|--------------------|-------------------------|
| | Assets \$'000 | Liabilities \$'000 | Revenues \$'000 | Profit/(Loss) \$'000 |
| Peet & Co Casey Land Syndicate Limited | 28 | 11 | - | 1 |
| Peet Alkimos Pty Limited | 54,067 | 29,420 | 6 | (365) |
| Peet Bayonet Head Syndicate Limited | 31 | 28 | - | - |
| Peet Baldivis Syndicate Limited (in liquidation) | 4 | 2 | 7 | (7) |
| Peet Beachton Syndicate Limited | 66 | 47 | 18 | (49) |
| Peet Botanic Village Syndicate Limited | 177 | 60 | - | - |
| Peet Byford Syndicate Limited | 13 | 1 | - | - |
| Peet Caboolture Syndicate Limited | 7,270 | 5,927 | 4 | (24) |
| Peet Cardinia Lakes Syndicate Limited | 53 | 15 | 28 | (2) |
| Peet Cranbourne Syndicate Ltd | 524 | 235 | - | (7) |
| Peet Cranbourne Central Syndicate Limited | 17 | 8 | - | - |
| Peet Forrestdale Syndicate Limited | 77 | 63 | - | (2) |
| Peet Mandurah Syndicate Limited | 356 | 159 | 329 | 71 |
| Peet Mundijong Syndicate Limited | 51 | 2 | - | - |
| Peet Oakford Land Syndicate Limited | 17 | 11 | - | - |
| Peet Point Cook Kingsford Syndicate | 49 | 34 | - | (2) |
| Peet Tarneit Gardens Syndicate Limited | 225 | 84 | 379 | 17 |
| Peet Tarneit Rise Syndicate Limited | 63 | 9 | 47 | (7) |
| Peet Tri State Syndicate Limited | 14,583 | 9,315 | 3,209 | 412 |
| Peet Warner Lakes Syndicate Limited | 643 | 238 | 492 | (46) |
| Peet Windsor Park Syndicate Limited | 22 | 8 | 23 | 3 |
| | 78,336 | 45,677 | 4,542 | (7) |

32 INVESTMENTS IN ASSOCIATES (CONTINUED)

(c) Summarised financial information of associates (continued)

| NAME OF ASSOCIATES | AS AT 30 JUNE 2009 GROUP'S SHARE OF: | | | |
|---|--------------------------------------|-----------------------|--------------------|-------------------------|
| | Assets \$'000 | Liabilities \$'000 | Revenues \$'000 | Profit/(Loss) \$'000 |
| Peet & Co Casey Land Syndicate Limited | 26 | 9 | - | (3) |
| Peet Alkimos Pty Limited | 48,743 | 24,253 | 9 | 45 |
| Peet Bayonet Head Syndicate Limited | 25 | 23 | - | - |
| Peet Baldivis Syndicate Limited | 12 | 3 | 14 | 3 |
| Peet Beachton Syndicate Limited | 106 | 62 | 1 | 23 |
| Peet Botanic Village Syndicate Limited | 164 | 46 | - | - |
| Peet Byford Syndicate Limited | 12 | - | - | - |
| Peet Caboolture Syndicate Limited | 7,212 | 5,846 | 2 | (87) |
| Peet Cardinia Lakes Syndicate Limited | 55 | 14 | 19 | (1) |
| Peet Cranbourne Syndicate Limited | 493 | 198 | - | (1) |
| Peet Cranbourne Central Syndicate Limited | 16 | 6 | - | - |
| Peet Forrestdale Syndicate Limited | 71 | 54 | - | - |
| Peet Mandurah Syndicate Limited | 475 | 349 | 170 | 3 |
| Peet Mundijong Syndicate Limited | 50 | - | - | - |
| Peet Oakford Land Syndicate Limited | 14 | 7 | - | - |
| Peet Tarneit Gardens Syndicate Limited | 226 | 68 | 343 | 2 |
| Peet Tarneit Rise Syndicate Limited | 85 | 19 | 92 | 4 |
| Peet Tri State Syndicate Limited | 14,809 | 9,668 | 212 | (1,638) |
| Peet Warner Lakes Syndicate Limited | 587 | 238 | 601 | (56) |
| Peet Windsor Park Syndicate Limited | 25 | 13 | 44 | 4 |
| | 73,206 | 40,876 | 1,507 | (1,702) |

33 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):

| NAME OF SUBSIDIARY | Place of Incorporation | Class of Share | HOLDING | |
|---|------------------------|----------------|---------|--------|
| | | | 2010 % | 2009 % |
| At Cost | | | | |
| Indemnity & Liability Administrators Pty Limited | WA | Ord & Pref. | 100 | 100 |
| Hawkestone Conveyancing Pty Limited | WA | Ordinary | 100 | 100 |
| Hawkestone Unit Trust ¹ | N/A | Trust Unit | 100 | 100 |
| Peet Management Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Innisfail Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Rockbank Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Point Cook No 2 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Craigieburn Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Greenvale No 2 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Southern JV Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Grand 56 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Point Cook South Pty Limited (formerly known as Peet Point Cook South Syndicate Limited) | WA | Ordinary | 100 | 100 |
| Peet Brigadoon Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 68 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Ashton Heights Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Hammersmith Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 72 Avoca Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Queens Park JV Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 73 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 74 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Baldivis Heights Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Abrehart Rd Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 77 Pty Limited | WA | Ordinary | 100 | 100 |
| Secure Living Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Truganina No 1 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 81 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 82 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 85 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 87 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 88 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Skye Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 90 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 92 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Joint Venture Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Gippsland Hwy Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 95 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Thornlands Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 98 Pty Limited | WA | Ordinary | 100 | 100 |
| 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 |

33 SUBSIDIARIES (CONTINUED)

| NAME OF SUBSIDIARY | Place of Incorporation | Class of Share | HOLDING | |
|--|------------------------|----------------|---------|--------|
| | | | 2010 % | 2009 % |
| 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 107 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 108 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 110 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 111 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 112 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 113 Pty Limited | WA | Ordinary | 100 | 100 |
| Secure Living Victoria Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 115 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Perth Beachfront Pty Limited (formerly known as Peet Perth Beachfront Land Syndicate Limited) | WA | Ordinary | 100 | 100 |
| Peet No 117 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 118 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 119 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Treasury Pty Limited (formerly known as Peet No 120 Pty Limited) | WA | Ordinary | 100 | 100 |
| Peet No 121 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Estates (VIC) Pty Ltd (formerly known as Peet No 122 Pty Limited) | WA | Ordinary | 100 | 100 |
| Peet No 123 Pty Limited | WA | Ordinary | 100 | 100 |
| Secure Living Queensland Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Development Management Pty Limited (formerly known as Peet No 124 Pty Limited) | WA | Ordinary | 100 | 100 |
| Peet No 125 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 126 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 127 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Estates (QLD) Pty Ltd (formerly known as Peet No 128 Pty Limited) | WA | Ordinary | 100 | 100 |
| Peet No 129 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 130 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet No 131 Pty Limited | WA | Ordinary | 100 | 100 |
| Peet Estates (WA) Pty Ltd (formerly known as Peet Communities (WA) Pty Limited) | WA | Ordinary | 100 | 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.

34 INTERESTS IN JOINTLY CONTROLLED OPERATIONS

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

| | CONSOLIDATED | |
|------------------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| <hr/> | | |
| The Village at Wellard | | |
| Total assets | 29,228 | 30,391 |
| Total liabilities | (23,717) | (26,115) |
| Net Assets | 5,511 | 4,276 |

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

| | CONSOLIDATED | |
|--------------------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| <hr/> | | |
| The Village at Wellard | | |
| Revenue | 17,599 | 9,695 |
| Expenses | (13,154) | (9,185) |
| Profit before income tax | 4,445 | 510 |

35 EARNINGS PER SHARE

(a) Earnings per share

| | CONSOLIDATED | |
|----------------------------|---------------|---------------|
| | 2010 Cents | 2009 Cents |
| <hr/> | | |
| Basic earnings per share | 14.1 | 5.1 |
| Diluted earnings per share | 14.0 | 5.0 |

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

| | CONSOLIDATED | |
|--|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| <hr/> | | |
| 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 | 42,111 | 12,019 |

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

| | CONSOLIDATED | |
|---|--------------|-------------|
| | 2010 | 2009 |
| <hr/> | | |
| Weighted average number of ordinary shares used as a denominator in the calculation of earnings per share | 298,928,054 | 236,281,091 |
| <hr/> | | |
| Adjustments for calculation of diluted earnings per share: | | |
| Options | 1,600,000 | 1,704,000 |
| Weighted average number of ordinary shares used as a denominator in the calculation of fully diluted earnings per share | 300,528,054 | 237,985,091 |

36 SHARE-BASED PAYMENTS

(a) Employee Share Option Plan (ESOP) and Performance Rights Plan (PRP)

The establishment of the Peet Limited ESOP was approved by the Board and shareholders during the 2004 financial year and the Peet Limited PRP was approved by shareholders at the 2008 AGM. Employees of any Peet Group Company (including Executive Directors) will be eligible to participate in the ESOP and/or PRP at the discretion of the Board.

Invitations to apply for options and/or performance rights

Eligible employees, at the discretion of the Board, may be invited to apply for options and/or performance rights 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 and/or performance rights being offered and the maximum number of shares over which each option and/or performance right is granted;
- the period or periods during which any of the options and/or performance rights may be exercised;
- the dates and times when the options and/or performance rights lapse;
- the date and time by which the application for options and/or performance rights must be received by Peet; and
- any applicable conditions which must be satisfied or circumstances which must exist before the options and/or performance rights may be exercised.

Eligible employees may apply for part of the options and/or performance rights offered to them, but only in specified multiples.

Consideration

Unless the Board determines otherwise, no payment will be required for a grant of options and/or performance rights under the ESOP and/or PRP.

Exercise conditions

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option and/or performance right must be satisfied. However, the Board has the discretion to enable an option and/or performance right holder to exercise options and/or performance rights 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 ESOP and performance rights under the PRP carry no dividend or voting rights.

Lapse of options and performance rights

Unexercised options and/or performance rights will lapse upon the earlier to occur of a variety of events specified in the rules of the ESOP and PRP, including, on the date or in circumstances specified by the Board in the invitation, failure to meet the options' or performance rights' exercise conditions in the prescribed period or on the expiry date of options and/or performance rights, as determined by the Board.

36 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Share Option Plan (ESOP) and Performance Rights Plan (PRP) (continued)

Set out below are summaries of options and performance rights granted under the plans:

| GRANT DATE | EXPIRY DATE | EXERCISE PRICE | BALANCE AT START OF THE YEAR No. | GRANTED DURING THE YEAR No. | EXERCISED DURING THE YEAR No. | LAPSED/FORFEITED DURING THE YEAR No. | BALANCE AT END OF THE YEAR No. | EXERCISABLE AT END OF THE YEAR No. |
|--|-------------|----------------|----------------------------------|-----------------------------|-------------------------------|--------------------------------------|--------------------------------|------------------------------------|
| Consolidated and Parent Entity – 2010 | | | | | | | | |
| Options | | | | | | | | |
| 28 Jul 04 | 28 Jul 09 | \$1.20 | 84,000 | - | (40,000) | (44,000) | - | - |
| 17 Aug 05 | 17 Aug 10 | \$1.71 | 20,000 | - | - | - | 20,000 | 20,000 |
| 1 Sep 05 | 1 Sep 10 | \$2.04 | 230,000 | - | - | (20,000) | 210,000 | 210,000 |
| 8 Feb 06 | 8 Feb 11 | \$2.81 | 100,000 | - | - | - | 100,000 | 100,000 |
| 2 May 06 | 2 May 11 | \$3.09 | 20,000 | - | - | - | 20,000 | 20,000 |
| 24 May 06 | 24 May 11 | \$3.42 | 50,000 | - | - | - | 50,000 | 50,000 |
| 30 Nov 07 | 30 Nov 13 | \$4.10 | 1,200,000 | - | - | - | 1,200,000 | - |
| 18 Dec 08 | 18 Dec 14 | \$2.50 | 2,930,000 | - | - | - | 2,930,000 | - |
| | | | 4,634,000 | - | (40,000) | (64,000) | 4,530,000 | 400,000 |
| Performance rights | | | | | | | | |
| 18 Dec 08 | 18 Dec 14 | \$0.00 | 265,000 | - | - | - | 265,000 | - |
| 11 Feb 10 | 11 Feb 15 | \$0.00 | - | 869,121 | - | - | 869,121 | - |
| 28 Jun 10 | 28 Jun 15 | \$0.00 | - | 820,551 | - | - | 820,551 | - |
| | | | 265,000 | 1,689,672 | - | - | 1,954,672 | - |
| Total | | | 4,899,000 | 1,689,672 | (40,000) | (64,000) | 6,484,672 | 400,000 |
| Weighted average exercise price | | | \$2.73 | \$0.00 | \$1.20 | \$1.46 | \$2.04 | \$2.44 |

36 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Share Option Plan (ESOP) and Performance Rights Plan (PRP) (continued)

| GRANT DATE | EXPIRY DATE | EXERCISE PRICE | BALANCE AT START OF THE YEAR No. | GRANTED DURING THE YEAR No. | EXERCISED DURING THE YEAR No. | LAPSED/ FORFEITED DURING THE YEAR No. | BALANCE AT END OF THE YEAR No. | EXERCISABLE AT END OF THE YEAR No. |
|--|-------------|----------------|----------------------------------|-----------------------------|-------------------------------|---------------------------------------|--------------------------------|------------------------------------|
| Consolidated and Parent Entity – 2009 | | | | | | | | |
| Options | | | | | | | | |
| 18 Jun 04 | 18 Jun 09 | \$1.20 | 1,200,000 | - | (1,200,000) | - | - | - |
| 28 Jul 04 | 28 Jul 09 | \$1.20 | 154,000 | - | (70,000) | - | 84,000 | 84,000 |
| 17 Aug 05 | 17 Aug 10 | \$1.71 | 20,000 | - | - | - | 20,000 | 20,000 |
| 1 Sep 05 | 1 Sep 10 | \$2.04 | 300,000 | - | (30,000) | (40,000) | 230,000 | 230,000 |
| 8 Feb 06 | 8 Feb 11 | \$2.81 | 100,000 | - | - | - | 100,000 | 100,000 |
| 2 May 06 | 2 May 11 | \$3.09 | 20,000 | - | - | - | 20,000 | 20,000 |
| 24 May 06 | 24 May 11 | \$3.42 | 50,000 | - | - | - | 50,000 | 50,000 |
| 30 Nov 07 | 30 Nov 13 | \$4.10 | 1,200,000 | - | - | - | 1,200,000 | - |
| 18 Dec 08 | 18 Dec 14 | \$2.50 | - | 2,930,000 | - | - | 2,930,000 | - |
| | | | 3,044,000 | 2,930,000 | (1,300,000) | (40,000) | 4,634,000 | 504,000 |
| Performance rights | | | | | | | | |
| 18 Dec 08 | 18 Dec 14 | \$0.00 | - | 265,000 | - | - | 265,000 | - |
| Total | | | 3,044,000 | 3,195,000 | (1,300,000) | (40,000) | 4,899,000 | 504,000 |
| Weighted average exercise price | | | \$2.53 | \$2.29 | \$1.22 | \$2.04 | \$2.73 | \$2.22 |

Options forfeited during the 2010 financial year amounted to 64,000 (2009: 40,000).

The weighted average remaining contractual life of share options and performance rights outstanding at 30 June 2010 was 4.11 years (2009: 4.77 years).

36 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Share Option Plan (ESOP) and Performance Rights Plan (PRP) (continued)

Fair value of options and performance rights granted

The fair value of an option at grant date is determined using a Black-Scholes option pricing model and the value of a performance right at grant date is determined using a Binomial pricing model. The models take into account the exercise price, the term of the option and/or performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option or performance right, 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 and/or performance right.

The inputs for assessing the fair value of the options granted under the ESOP and performance rights under the PRP were:

| GRANT DATE | EXERCISE PRICE | EXPIRY DATE | SHARE PRICE AT GRANT DATE | EXPECTED PRICE VOLATILITY OF SHARES | RISK FREE INTEREST RATE | ASSESSED FAIR VALUE |
|---------------------------|----------------|-------------|---------------------------|-------------------------------------|-------------------------|---------------------|
| Options | | | | | | |
| 18 Jun 04 | \$1.20 | 18 Jun 09 | \$1.20 | 30% | 5.30% | \$0.11 |
| 28 Jul 04 | \$1.20 | 28 Jul 09 | \$1.20 | 30% | 5.36% | \$0.21 |
| 17 Aug 05 | \$1.71 | 17 Aug 10 | \$1.71 | 30% | 5.08% | \$0.23 |
| 1 Sep 05 | \$2.04 | 1 Sep 10 | \$2.04 | 30% | 4.99% | \$0.22 |
| 8 Feb 06 | \$2.81 | 8 Feb 11 | \$2.81 | 30% | 5.25% | \$0.57 |
| 2 May 06 | \$3.09 | 2 May 11 | \$3.09 | 30% | 5.69% | \$0.68 |
| 24 May 06 | \$3.42 | 24 May 11 | \$3.42 | 30% | 5.64% | \$0.78 |
| 30 Nov 07 | \$4.10 | 30 Nov 13 | \$3.90 | 30% | 6.46% | \$1.12 |
| 18 Dec 08 | \$2.50 | 18 Dec 14 | \$1.49 | 28% | 3.15% | \$0.07 |
| Performance rights | | | | | | |
| 18 Dec 08 | \$0.00 | 18 Dec 14 | \$1.49 | 32% | 3.41% | \$1.08 |
| 11 Feb 10 | \$0.00 | 11 Feb 15 | \$2.10 | 41% | 4.91% | \$2.08 |
| 28 Jun 10 | \$0.00 | 28 Jun 15 | \$2.08 | 41% | 4.53% | \$1.86 |

The expected price volatility is based on the historic volatility (based on the remaining life of the options and/or performance rights), 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 | |
|--|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Options and Performance Rights issued under ESOP and PRP, respectively | 808 | (32) | 808 | (32) |

(c) Deferred Employee Share Plan (DESP)

During the year, the Company's DESP was suspended pending finalisation of the Federal Government's legislative amendments to the taxation of employee share schemes.

As at the date of this report the Company's DESP was cancelled.

DIRECTORS DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 50 to 114 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 2010 and of their performance 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 note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

29 September 2010

Independent auditor's report to the members of Peet Limited

Report on the financial report

We have audited the accompanying financial report of Peet Limited (the company), which comprises the statements of financial position as at 30 June 2010, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Peet Limited and the Peet Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

**Independent auditor's report to the members of
Peet Limited (continued)**

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

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.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Peet Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 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 report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 32 to 44 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Peet Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers



David J Smith
Partner

Perth
29 September 2010

SHAREHOLDER INFORMATION

The information following is extracted from Peet Limited's share register as at 28 September 2010.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding

| | NUMBER OF SHAREHOLDERS | % OF ISSUED SHARES |
|------------------|---------------------------|-----------------------|
| 1 – 1,000 | 267 | 0.05 |
| 1,001 – 5,000 | 1,268 | 1.31 |
| 5,001 – 10,000 | 881 | 2.22 |
| 10,001 – 100,000 | 956 | 7.54 |
| 100,001 and over | 93 | 88.88 |
| | 3,465 | 100.00 |

There were 75 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 <Gwenton A/c> | 80,091,164 | 26.64 |
| Mr IMC Palmer & Mrs HC Palmer | 23,457,352 | 7.80 |
| Mr WD Hemsley | 20,605,000 | 6.85 |
| JP Morgan Nominees Australia Limited | 19,629,287 | 6.53 |
| National Nominees Limited | 16,136,310 | 5.37 |
| Citicorp Nominees Pty Ltd | 16,054,350 | 5.34 |
| MF Custodians Ltd | 14,231,228 | 4.73 |
| RBC Dexia Investor Services Australia Nominees Pty Ltd <Pipooled A/c> | 13,646,737 | 4.54 |
| Australian Foundation Investment Company Limited | 11,183,748 | 3.72 |
| UBS Nominees Pty Ltd | 7,731,568 | 2.57 |
| HSBC Custody Nominees (Australia) Limited | 6,452,673 | 2.15 |
| Citicorp Nominees Pty Ltd <CFS WSLE Property Secs A/c> | 3,900,000 | 1.30 |
| Cogent Nominees Pty Ltd | 2,746,919 | 0.91 |
| Argo Investments Limited | 2,502,504 | 0.83 |
| Amcil Ltd | 2,066,667 | 0.69 |
| UBS Wealth Management Australia Nominees Pty Ltd | 2,009,493 | 0.67 |
| Mirrabooka Investments Ltd | 2,000,000 | 0.67 |
| Djerriwarrh Investments Limited | 1,696,000 | 0.56 |
| RBC Dexia Investor Services Australia Nominees Pty Limited <Piic A/c> | 1,545,172 | 0.51 |
| Mr LJ Peet | 1,500,000 | 0.50 |
| | 249,186,172 | 82.88 |

Substantial shareholders

| NAME | NUMBER OF SHARES HELD | % OF ISSUED SHARES |
|--|-----------------------|--------------------|
| Scorpio Nominees Pty Ltd and associates | 82,075,231 | 27.30 |
| Perpetual Limited and its subsidiaries ¹ | 26,416,555 | 8.79 |
| Mr IMC Palmer & Mrs HC Palmer | 23,457,352 | 7.80 |
| Mr WD Hemsley and associates | 20,663,600 | 6.87 |
| Commonwealth Bank of Australia and its subsidiaries ² | 18,804,218 | 6.25 |
| | 171,416,956 | 57.01 |

1. Based on change in substantial holding notice lodged 6 September 2010.

2. Based on change in substantial holding notice lodged 7 September 2010.

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). The Company's ASX code is PPC.

Website address

www.peet.com.au

The Parent Entity 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

CORPORATE DIRECTORY

PEET LIMITED

ABN 56 008 665 834

Website Address: www.peet.com.au

Directors

Tony Lennon FAICD, Non-executive Chairman

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

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

Stephen Higgs BEc (Syd), Independent Non-executive Director

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

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

Group Company Secretary

Dom Scafetta B.Comm, CA

Registered office and principal place of business

7th Floor, 200 St Georges Terrace

Perth, Western Australia 6000

Tel. (08) 9420 1111

Share Register

Computershare Investor Services Pty Limited

Level 2, 45 St Georges Terrace

Perth, Western Australia 6000

Auditor

PricewaterhouseCoopers

QV1, 250 St Georges Terrace

Perth, Western Australia 6000

Bankers

National Australia Bank

100 St Georges Terrace

Perth, Western Australia 6000

PEET

Peet Limited

ACN 008 665 834

Level 7, 200 St Georges Terrace Perth WA 6000

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

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