Peet Limited

ABN 56 008 665 834

Appendix 4D and Consolidated Financial Statements for the half-year ended 31 December 2016

Results for announcement to the market

Entity:	Peet Limited and its controlled entities
Reporting Period:	31 December 2016
Previous Corresponding Period:	31 December 2015

				$'million
Revenue	Up	15%	to	150.1
Statutory profit after tax attributable to owners of Peet Limited	Up	7%	to	19.8
Basic and diluted earnings per share (cents)	Up	7%	to	4.03c

Dividends	Cents per security	% Franked per security
Current Year		
Interim dividend 2017	1.75	Fully franked
Previous Year		
Final dividend 2016	2.75	Fully franked
Interim dividend 2016	1.75	Fully franked

Results Commentary

Key results[1]

- Operating profit[2] and statutory profit[3] after tax of $19.8 million, up 7%
- Earnings per share of 4.03c, up 7%
- EBITDA[4] of $44.0 million, up 9%
- EBITDA[4] margin at 29%, in line with 1H16
- 1,408 lots settled, up 10%
- Record number of contracts[5] on hand as at 31 December 2016 of 2,450, with a value of $556.4 million
- Gearing[6] of 24.8%, down from 28.8% at 30 June 2016
- Fully franked interim dividend of 1.75 cents per share

Financial commentary

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $19.8 million for the half-year ended 31 December 2016, which represents an increase of 7% compared with the previous corresponding period.

Earnings per share were 4.03 cents, representing an increase of 7% compared with the previous corresponding period.

The first half result was underpinned by the continuing strong conditions across the Group's east coast markets, with price growth continuing to be achieved, particularly across the Victoria and ACT/NSW portfolios. The first half also saw the level of enquiries and sales improve across the Group's Queensland portfolio, which bodes well for its Flagstone City and Redbank Plains projects, which has successfully launched.

The Group continues to deliver on its stated strategy, resulting in strong operating margins and further improvement in return on capital employed[7], which increased from 12.9% in 1H16 to 13.7% in 1H17.

The Group derived EBITDA[4] of $44.0 million during 1H17, with a margin of 29%. The EBITDA was up 9%, and the margin was in line with, the corresponding previous period. Key contributors to the improved EBITDA included the price growth achieved across the Victoria portfolio (both Funds Management and Company-owned projects), the contribution of earnings from new projects launched during the period (across various markets) and a continuing focus on efficiencies across the business.

During 1H17, Peet announced the establishment of two new wholesale funds. These funds involve the co-ownership of residential land development projects with Supalai Public Company, a real estate developer listed on the Thailand Stock Exchange, and projects in the strong western growth corridor of Melbourne (Newhaven, Tarneit) and Redbank Plains less than 30 kms from Brisbane. These projects are expected to be strong contributors to the Group's earnings over the next decade.

Peet also announced the sale of an undeveloped englobo parcel in Rockbank, west of Melbourne, Victoria for $30.5 million. The sale is subject to planning-related conditions, with settlement expected to occur in FY18.

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1 Comparative period is 31 December 2015 unless stated otherwise. The non-IFRS measures have not been audited.

2 Operating profit is a non-IFRS measure that is determined to present the ongoing activities of the Group in a way that reflects its operating performance. Operating profit includes the effects of non-cash movements in investments in associates and joint ventures. Operating profit excludes unrealised fair value gains/(losses) arising from the effect of revaluing assets and liabilities and adjustments for realised transactions outside the core ongoing business activities.

3 Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.

4 EDITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

5 Includes lot equivalents. Excludes englobo sales.

6 Calculated as (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets). Excludes syndicates consolidated under AASB10.

7 Return on Capital Employed (ROCE) = Rolling 12 months EBITDA / (average net debt + average total equity)

Operational commentary

The Group achieved 1,488 sales (down 10% on the corresponding period) and 1,408 settlements (up 10%) during 1H17. Sales were generally in line with expectations, with the strong east coast markets offsetting the continuing weak Western Australian and Northern Territory markets.

At 31 December 2016, there were a record 2,450 contracts on hand[8], with a gross value of $556.4 million, compared with 2,426 contracts on hand[8] as at 30 June 2016 (with a gross value of $545.7 million). These contracts will provide strong momentum into 2H17.

Funds management projects

The Group's Funds Management business performed solidly in 1H17, with the performance of projects in the Victorian and Queensland markets more than offsetting the performance of projects in the weaker Western Australia and Northern Territory markets and the substantial completion of sales in several syndicates in FY16 (Quarters (Vic) and Livingstone (Vic)). The period also saw the first sales from the Cornerstone (Vic) project.

- 826 lots sold for a gross value of $188.1 million, compared with 1,008 lots ($230.6 million) in 1H16.
- 829 lots settled for a gross value of $214.1 million, compared with 657 lots ($172.1 million) in 1H16.
- 1,496 contracts on hand[9] as at 31 December 2016 with a total value of $313.2 million, compared with 1,510 contracts on hand[9] as at 30 June 2016 ($314.7 million).
- EBITDA[10] of $15.1 million compared with $14.6 million in the previous corresponding period.
- EBITDA[10] margin of 68%, compared with 66% in the previous corresponding period.

Development projects

The increase in contribution from the Group's Development business is underpinned by the strong Victorian market and the commencement of settlements from new projects. The Aston (Vic) project continued its significant contribution to earnings and settlement revenue commenced to be received from the Little Green (Vic) and Greenlea (WA) projects. The settlement of the sale of land to the Peet Werribee Land Syndicate (Vic) also contributed positively to 1H17 performance.

- 222 lots sold for a gross value of $105.4 million, compared with 256 lots in 1H16 ($157.9 million).
- 299 lots settled for a gross value of $108.6 million, compared with 181 lots in 1H16 ($70.8 million).
- 355 contracts on hand[8] as at 31 December 2016, with a total value of $90.4 million, compared with 488 contracts on hand[8] as at 30 June 2016 ($116.4 million).
- EBITDA of $27.8 million compared with $17.8 million in the previous corresponding period.
- EBITDA margin of 26%, in line with the previous corresponding period.

[8] Includes lot equivalents. Excludes englobo sales.
[9] Includes lot equivalents.
[10] EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

Joint arrangements

The reduced contribution from the Group's Joint Venture business in 1H17 is predominantly due to reduced contributions from The Village at Wellard (WA) and The Heights (NT) projects, and the weighting of settlements in the Googong (ACT/NSW) and Lightsview (SA) projects into 2H17.

- 440 lots sold for a gross value of $103.1 million, compared with 395 lots in 1H16 ($91.1 million).
- 280 lots settled for a gross value of $64.8 million, compared with 437 lots in 1H16 ($96.2 million).
- 599 contracts on hand[11] as at 31 December 2016 with a total value of $152.8 million, compared with 428 contracts on hand[11] as at 30 June 2016 ($114.6 million).
- EBITDA[12] of $6.6 million compared with $11.1 million in the previous corresponding period.
- EBITDA[12] margin of 32% compared with 31% in the previous corresponding period.

Land portfolio metrics

		1H17	1H16	Change Up/(down)
Lot sales		1,488	1,659	(10%)
Lot settlements		1,408	1,275	10%
Contracts on hand[13] (comparison as at 30 June 2016)	Number	2,450	2,426	
	Value	$556.4m	$545.7m	

Capital management

The Group continued to identify growth opportunities and to manage its pipeline of projects with a focus on maximising its return on capital employed; and continued its proactive and disciplined approach to investment in the development of a mix of product and infrastructure to meet market demand, particularly in the stronger performing east coast markets.

The Peet Group maintains a disciplined focus on capital management, and at 31 December 2016, the Group's gearing[14] reduced to 24.8%, from 28.8% at 30 June 2016.

At the end of the period, the Group had interest-bearing debt (including Peet Bonds) of $254.2 million, compared with $266.9 million at 30 June 2016. Approximately 88% of the Group's interest-bearing debt was hedged as at 31 December 2016, compared with 84% at 30 June 2016.

Peet enters 2H17 with a strong balance sheet, including cash and debt facility headroom of $116.6 million as at 31 December 2016 and a weighted average debt maturity of over three years.

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[11] Includes lot equivalents.

[12] EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

[13] Includes lot equivalents. Excludes englobo sales.

[14] Calculated as (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets). Excludes syndicates consolidated under AASB 10.

Dividend payments

Subsequent to 31 December 2016, the Directors have declared an interim dividend of 1.75 cents per share, fully franked, in respect of the year ending 30 June 2017, which is in line with the interim dividend for the year ended 30 June 2016. The dividend is to be paid on 21 April 2017, with a record date of 23 March 2017.

The Dividend Reinvestment Plan remains deactivated.

Group strategy

The Group's strategy continues to be based around leveraging the diversity of its national land bank; working in partnership with wholesale, institutional and retail investors; and continuing to meet market demand for a mix of product in the growth corridors of major Australian cities.

The key elements of Peet's strategy include:

- Continuing to deliver high-quality, masterplanned communities, adding value and facilitating additional investment in amenity and services wherever possible;
- Managing the Group's land bank of approximately 47,000 lots with a focus on maximising return on capital employed;
- Continuing to assess opportunities to selectively acquire strategic residential land holdings in a disciplined manner under our funds management platform and as appropriate in market conditions; and
- Maintaining a focus on cost and debt reduction.

Outlook

The Australian residential property market conditions continued to differ across the States during 1H17, and the outlook is that conditions should remain generally supportive with sustained low interest rates and modest economic growth.

Conditions across Victoria, New South Wales/ACT and South Australia are expected to remain supportive, while Western Australia and Northern Territory are not expected to improve during the 2017 calendar year.

The Queensland residential market continues to improve, which bodes well for the Group's Queensland portfolio, particularly the recently launched 12,000-lot Flagstone City and 1,100-lot Redbank Plains projects.

Peet has a diversified national portfolio of projects that remains well-positioned for sustainable long-term growth and value creation.

The Group has moved into the second half of FY17 well-positioned to target earnings growth, subject to market conditions and the timing of settlements.

Brendan Gore
Managing Director and Chief Executive Officer
23 February 2017

Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Peet Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were Directors of Peet Limited during the half-year and up to the date of this report:

Tony Lennon (Chairman)

Brendan Gore

Anthony Lennon

Trevor Allen

Vicki Krause

Robert McKinnon

Review of operations

Net profit after tax for the half-year ended 31 December 2016 attributable to owners of Peet Limited was $19.8 million (2015: $18.5 million). The review of operations for the Group for the half-year ended 31 December 2016 and the results of those operations are covered in the Results Commentary section on pages 3 to 6.

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 8.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/91, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that legislative instrument.

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

Brendan Gore

Managing Director and Chief Executive Officer

23 February 2017

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Auditor's Independence Declaration to the Directors of Peet Limited

As lead auditor for the review of Peet Limited for the half-year ended 31 December 2016, I declare 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

G Lotter
Partner
23 February 2017

	Notes	December 2016 $'000	December 2015 $'000
Revenue	3	150,125	130,154
Expenses	4	(121,125)	(108,402)
Finance costs	4	(3,474)	(2,546)
Share of net profit of associates and joint ventures		2,953	6,585
Profit before income tax		**28,479**	**25,791**
Income tax expense	5	(9,016)	(7,270)
Profit for the period		**19,463**	**18,521**
Attributable to:			
Owners of Peet Limited		19,751	18,510
Non-controlling interests		(288)	11
		19,463	**18,521**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Realised losses on cash flow hedges transferred to profit or loss		858	1,137
Unrealised gains/(losses) on cash flow hedges		3,033	(2,763)
Share of other comprehensive income of associates		-	75
Income tax relating to components of other comprehensive income		(1,167)	488
Other comprehensive (loss) for the period, net of tax		**2,724**	**(1,063)**
Total comprehensive income for the period		**22,187**	**17,458**
Attributable to:			
Owners of Peet Limited		22,475	17,447
Non-controlling interests		(288)	11
		22,187	**17,458**

Earnings per share for profit attributable to the ordinary equity holders of the Company

	Notes	Cents	Cents
Basic and diluted earnings per share	6	4.03	3.78

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	December 2016 $'000	June 2016 $'000
Current assets			
Cash and cash equivalents		68,945	73,373
Receivables		81,406	66,514
Inventories		92,824	147,549
Total current assets		**243,175**	**287,436**
Non-current assets			
Receivables		69,262	48,024
Inventories		415,412	451,395
Investments accounted for using the equity method		202,249	198,115
Property, plant and equipment		9,670	8,577
Intangible assets		6,047	5,147
Total non-current assets		**702,640**	**711,258**
Total assets		**945,815**	**998,694**
Current liabilities			
Payables		78,987	81,559
Land vendor liabilities		19,325	16,100
Current tax liabilities		15,877	9,650
Borrowings	7	6,074	5,321
Provisions		6,852	8,136
Total current liabilities		**127,115**	**120,766**
Non-current liabilities			
Land vendor liabilities		24,318	73,169
Borrowings	7	248,101	261,644
Derivative financial instruments		4,259	8,150
Deferred tax liabilities		32,846	33,286
Provisions		129	164
Total non-current liabilities		**309,653**	**376,413**
Total liabilities		**436,768**	**497,179**
Net assets		**509,047**	**501,515**
Equity			
Contributed equity	8	385,955	385,955
Reserves		3,331	7,809
Retained profits		109,793	103,515
Capital and reserves attributable to owners of Peet Limited		**499,079**	**497,279**
Non-controlling interests		9,968	4,236
Total equity		**509,047**	**501,515**

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

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2015		**385,962**	**10,628**	**82,264**	**478,854**	**5,040**	**483,894**
Profit for the period		-	-	18,510	18,510	11	18,521
Other comprehensive income		-	(1,063)	-	(1,063)	-	(1,063)
Total comprehensive income for the period		**-**	**(1,063)**	**18,510**	**17,447**	**11**	**17,458**
Contributions of equity, net of transaction costs and tax		(26)	-	-	(26)	-	(26)
Dividends paid		-	-	(14,507)	(14,507)	-	(14,507)
Share based payments		-	1,140	-	1,140	-	1,140
Balance at 31 December 2015		**385,936**	**10,705**	**86,267**	**482,908**	**5,051**	**487,959**
Balance at 1 July 2016		**385,955**	**7,809**	**103,515**	**497,279**	**4,236**	**501,515**
Profit for the period		-	-	19,751	19,751	(288)	19,463
Other comprehensive income		-	2,724	-	2,724	-	2,724
Total comprehensive income for the period		**-**	**2,724**	**19,751**	**22,475**	**(288)**	**22,187**
Non-reciprocal contribution to a controlled entity		-	(6,020)	-	(6,020)	6,020	-
Dividends paid	10	-	-	(13,473)	(13,473)	-	(13,473)
Share based payments		-	(1,182)	-	(1,182)	-	(1,182)
Balance at 31 December 2016		**385,955**	**3,331**	**109,793**	**499,079**	**9,968**	**509,047**

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

	December 2016 $'000	December 2015 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	182,842	141,738
Payments to suppliers and employees (inclusive of GST)	(115,182)	(108,050)
Payments for purchase of land	(25,226)	(9,500)
Interest and other finance costs paid	(10,037)	(8,725)
Distributions and dividends received from associates and joint ventures	1,858	1,534
Income tax paid	(3,080)	(2,804)
Net cash inflow from operating activities	**31,175**	**14,193**
Cash flows from investing activities		
Payments for property, plant and equipment	(3,737)	(1,288)
Payments for investment in associates	(2,250)	(1,750)
Proceeds from capital returns from associates	357	1,181
Loans to related parties	(6,605)	(6,023)
Repayment of loans by related parties	4,092	-
Interest received	481	321
Net cash outflow from investing activities	**(7,662)**	**(7,559)**
Cash flows from financing activities		
Dividends paid	(13,473)	(14,507)
Repayment of borrowings	(62,490)	(18,505)
Proceeds from borrowings	48,022	18,000
Transaction costs share issue	-	(38)
Net cash outflow from financing activities	**(27,941)**	**(15,050)**
Net decrease in cash and cash equivalents	(4,428)	(8,416)
Cash and cash equivalents at the beginning of the financial year	73,373	57,723
Cash and cash equivalents at end of the period	**68,945**	**49,307**

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

1. Basis of preparation of consolidated financial statements

This general purpose condensed financial report for the half-year ended 31 December 2016 is for the Consolidated Entity consisting of Peet Limited and its subsidiaries ("Group"). 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. The financial report was authorised for issue by the Directors on 23 February 2017. The financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made by Peet Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Segment reporting

Operating segments are reported in a manner that is 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.

The executive management group assesses the performance of the operating segments based on multiple measures including EBITDA[1], EBIT[2] and profit after tax.

The share of profits from associates and joint ventures is included as segment revenue as it is treated as revenue for internal reporting purposes.

The Group operates only in Australia.

The executive management group considers the business to have the following three reportable business segments:

Funds management

Peet enters into asset and funds management agreements with external capital providers. Peet and/or the external capital provider commit equity funds towards the acquisition of land and this is generally supplemented with debt funds either at the time of acquisition or during the development phase of a project.

The Group derives fees from underwriting, capital raising and asset identification services. Ongoing project related fees (mainly project management and selling fees as well as performance fees) are then derived by the Group for the duration of a particular project.

Company owned projects

The Group acquires parcels of land in Australia, primarily for residential development purposes. Certain land holdings will also produce non-residential blocks of land.

Joint arrangements

Joint arrangements are entered into with government, statutory authorities and private landowners. The form of these arrangements can vary from project to project but generally involves Peet undertaking the development of land on behalf of the landowner or in conjunction with the co-owner. The Group is typically entitled to ongoing fees for management of the development project and also a share of the profits.

Inter-segment eliminations and other unallocated

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

The adoption of AASB 10 *Consolidated Financial Statements* from 1 July 2013, resulted in certain property syndicates being consolidated. These entities however, continue to be managed and reported to the executive management group as part of the funds management business segment. Adjustments are included in "Inter-Segment Eliminations and Other Unallocated" to reconcile reportable business segment information to the Group's consolidated statement of profit or loss.

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

2. Segment reporting

	Funds management		Company owned projects		Joint arrangements		Inter-segment eliminations and other unallocated		Consolidated	
	December 2016 $'000	December 2015 $'000	December 2016 $'000	December 2015 $'000	December 2016 $'000	December 2015 $'000	December 2016 $'000	December 2015 $'000	December 2016 $'000	December 2015 $'000
Sales to external customers	21,875	21,045	107,239	67,023	16,649	28,539	2,272	11,299	148,035	127,906
Other revenue	10	515	920	420	1,067	1,117	93	196	2,090	2,248
Share of net profit of associates and JVs	205	580	-	-	2,778	6,315	(30)	(310)	2,953	6,585
Total	**22,090**	**22,140**	108,159	67,443	**20,494**	**35,971**	**2,335**	**11,185**	**153,078**	**136,739**
Corporate overheads							(5,509)	(5,233)	(5,509)	(5,233)
EBITDA excluding write-down in inventories	15,122	14,602	27,785	17,817	6,644	11,067	(5,507)	(3,206)	44,044	40,280
EBITDA	**15,122**	**14,602**	**27,785**	**17,817**	**6,644**	**11,067**	**(5,507)**	**(3,206)**	**44,044**	**40,280**
Depreciation and amortisation	(25)	(40)	(910)	(976)	(64)	(152)	(678)	(515)	(1,677)	(1,683)
EBIT	**15,097**	**14,562**	**26,875**	**16,841**	**6,580**	**10,915**	**(6,185)**	**(3,721)**	**42,367**	**38,597**
Financing costs (includes interest and finance costs expensed through cost of sales)									(13,888)	(12,806)
Profit before income tax									**28,479**	**25,791**
Income tax expense									(9,016)	(7,270)
Profit for the period									**19,463**	**18,521**
Profit attributable to non-controlling interests									288	(11)
Profit attributable to owners of Peet Limited									**19,751**	**18,510**

3. Revenue

	December 2016 $'000	December 2015 $'000
Revenue from sales of land	122,374	102,053
Project management and performance fees	25,661	25,853
Other revenue	2,090	2,248
	150,125	**130,154**

4. Profit before income tax

	December 2016 $'000	December 2015 $'000
Profit before income tax includes the following specific expenses:		
Expenses		
Land and development cost	72,907	60,103
Capitalised interest and finance expense	10,415	10,260
Total land and development cost	**83,322**	**70,363**
Depreciation	1,284	1,516
Amortisation	393	167
Total depreciation and amortisation	**1,677**	**1,683**
Employee benefits expense	16,923	17,458
Project management, selling and other operating costs	11,093	10,937
Other expenses	8,110	7,961
Total other expenses	**36,126**	**36,356**
Total expenses	**121,125**	**108,402**
Finance costs		
Interest and finance charges paid/payable	6,630	6,998
Interest of bonds	3,917	-
Interest on convertible notes	-	2,997
Amount capitalised	(7,073)	(7,449)
Total finance costs	**3,474**	**2,546**

5. Income tax

	December 2016 $'000	December 2015 $'000
Major components of tax expense		
Current tax	9,147	7,133
Deferred tax	(131)	137
	9,016	**7,270**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	28,479	25,791
Tax at Australian tax rate of 30% (2015: 30%)	8,544	7,737
Tax effect of amounts which are not deductible		
Share of net profit of associates	532	(726)
Employee benefits	306	342
Franking rebate	(531)	(400)
Other	165	317
	9,016	**7,270**

6. Earnings per share

	December 2016	December 2015
Profit attributable to the ordinary equity holders of the Company ($'000)	19,751	18,510
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	489,980,559	489,236,844
Basic and diluted earnings per share (cents)	4.03	3.78

There are 1,200,000 options excluded from the calculation of diluted earnings per share as they are anti-dilutive. They could potentially dilute basic earnings per share in the future.

7. Borrowings

	December 2016		June 2016	
	Facility Amount	Utilised Amount	Facility Amount	Utilised Amount
	$'000	$'000	$'000	$'000
Bank loans[1]	233,000	156,243[2]	223,000	169,191[2]
Peet bonds[3]	100,000	97,932	100,000	97,774
	333,000	**254,175**	**323,000**	**266,965**

[1] Secured

[2] Excludes bank guarantees. Refer note 9 for bank guarantees information.

[3] $100 million utilised, net of transaction costs.

The borrowings are disclosed as follows in the balance sheet:

	December 2016 $'000	June 2016 $'000
Borrowings – Current	6,074	5,321
Borrowings – Non-current	248,101	261,644
Total borrowings	254,175	266,965
Cash and cash equivalents	(68,945)	(73,373)
Net debt	185,230	193,592

8. Contributed equity

Movements in ordinary share capital

Date	Details	Number of Shares	$'000
30 June 2015	**Opening balance**	**486,989,173**	**385,962**
17 August 2015	Vested Performance rights less transaction costs net of deferred tax credit recognised in equity	2,991,386	(7)
30 June 2016	**Closing balance**	**489,980,559**	**385,955**
31 December 2016	**Closing balance**	**489,980,559**	**385,955**

9. Contingencies

	December 2016 $'000	June 2016 $'000
Bank guarantees outstanding	19,260	19,280
Insurance bonds outstanding	13,342	10,735
	32,602	**30,015**

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.

10. Dividends

(a) Dividends paid

The Directors declared a final fully franked dividend of 2.75 cents per share in respect of the year ended 30 June 2016. The dividend of $13.5 million was paid on 14 October 2016.

(b) Dividends not recognised at period end

Subsequent to 31 December 2016, the Directors have declared an interim dividend of 1.75 cents per share fully franked in respect of the year ending 30 June 2017. The dividend is to be paid on Friday, 21 April 2017, with a record date of Thursday, 23 March 2017.

11. Fair value measurements

Measurement

The Group measures its derivative financial liabilities at fair value at each reporting date. These derivatives are measured using significant observable inputs (level 2 of the fair value hierarchy). The fair value at 31 December 2016 is $4.3 million (30 June 2016: $8.2 million).

There have been no transfers between levels during the period.

Disclosure

Except for the Peet bonds, the carrying value of financial assets and liabilities is considered to approximate fair values.

The quoted market value (on ASX) of a Peet bond as at 31 December 2016 is $100.55. At 31 December 2016, the carrying value of Peet bonds is $98 million.

12. Significant events during the period

During the period, the Group announced the sale of an undeveloped englobo parcel in Rockbank, west of Melbourne, Victoria for $30.5 million. The sale is subject to planning-related conditions, with settlement expected to occur in November 2017.

The Group announced a new wholesale fund with Supalai Public Company, a real estate developer listed on the Thailand Stock Exchange. The Group holds a 50.1% interest in, and will act as the development manager for the fund. The wholesale fund will develop the New Haven estate in Tarneit. This fund represents the second established by Peet and Supalai following the establishment of a fund earlier in the year for the development of a 1,100 – lot operating residential estate in Redbank Plains, Queensland for $37.5 million.

13. Events after the end of the reporting period

No other matters or circumstances have arisen since the end of the half 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.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 9 to 17 are in accordance with the *Corporations Act 2001,* including:

(i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Peet Limited will be able to pay its debts as and when they become due and payable.

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

BRENDAN GORE

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

23 February 2017

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To the members of Peet Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Peet Limited, which comprises the consolidated balance sheet as at 31 December 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the Directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and complies with the ASX Listing Rules as they relate to Appendix 4D. The Directors are also responsible for such internal controls that the Directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of Peet Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Peet Limited is not in accordance with:

a) the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

   ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b) the ASX Listing Rules as they relate to Appendix 4D.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
23 February 2017