Peet Limited

ABN 56 008 665 834

Appendix 4D and Consolidated Financial Statements for the half-year ended 31 December 2015

Appendix 4D

Half-year financial report

Results for announcement to the market

Entity:	Peet Limited and its controlled entities
Reporting Period:	31 December 2015
Previous Corresponding Period:	31 December 2014

				$'million
Revenue	Down	29%	to	130.2
Statutory profit after tax attributable to owners of Peet Limited	Up	8%	to	18.5
Basic and diluted earnings per share (cents)	Neutral			3.8c

Dividends	Cents per security	% Franked per security
Current Year		
Interim dividend 2016	1.75	Fully franked
Previous Year		
Final dividend 2015	3.0	Fully franked
Interim dividend 2015	1.5	Fully franked

Results Commentary

Key results[1]

- Operating profit[2] and statutory profit[3] after tax of $18.5 million, up 8% on 1H15
- EBITDA[4] of $40.3 million
- EBITDA[4] margin increased to 29%, compared to 25% in 1H15
- Earnings per share of 3.8c
- 1,275 lots settled
- Record number of contracts on hand as at 31 December 2015 of 2,318[5], with a value of $523 million
- Gearing[6] of 30.6%
- Fully franked interim dividend of 1.75 cents per share, up 17% on 1H15

Financial commentary

The Peet Group achieved an operating profit[2] after tax of $18.5 million for the half-year ended 31 December 2015, which represents an increase of 8% compared with the previous corresponding period.

The Group's statutory profit[3] after tax was $18.5 million, compared to $17.1 million in the previous corresponding period, also representing an increase of 8%. Earnings per share were 3.8 cents, in line with the previous corresponding period, but achieved on an expanded capital base.

The first half operating performance reflects the supportive conditions across the Group's key east coast markets, in particular Victoria and ACT/New South Wales. The strong result was driven by price growth across the Victorian land portfolio as well as the Group's continued focus on operational efficiencies.

The result further demonstrates that the Group's focus on the implementation of its strategy continues to deliver improved operating performance. Improvement in the Group's return on capital employed and operating margins continued through active asset management such as the divestment of the Arena, Greenvale project, project commencements and improved business operational effectiveness.

The Group delivered EBITDA[4] of $40.3 million during the period with a margin of 29%, compared with 25% in the previous corresponding period and 26% for the full year ended 30 June 2015.

[1] Comparative period is 31 December 2014 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] Pre write-downs of $ nil and includes effects of non-cash movements in investments in associates and joint ventures.

[5] Includes lot equivalents. Excludes Arena englobo sale.

[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.

Operational commentary

The Group achieved a total of 1,659 sales during the first half, representing an increase of 3% on the previous corresponding period.

Settlements for the half were 12% lower compared to the previous corresponding period, with the continued weakening of the Western Australian and Northern Territory markets being a key factor in the reduction in the number of sales and settlements in those markets for the period. However, this was largely offset by the strong performance of projects on the east coast.

At 31 December 2015, there were a record 2,318[7] contracts on hand, with a gross value of $523.0 million, compared with 2,061[7] contracts on hand as at 30 June 2015 (with a gross value of $440.9 million), providing momentum into 2H16.

Funds management projects
The Group's Funds Management business performed solidly in 1H16, with the performance of projects in the Victorian market more than offsetting the performance of projects in the weaker WA market and the completion of highly successful syndicates in FY15 (Kingsford (Vic) and Warner Lakes (Qld)).

- 1,008 lots sold for a gross value of $230.6 million, compared with 906 lots ($230.6 million) in 1H15.
- 657 lots settled for a gross value of $172.1 million, compared with 786 lots ($179.1 million) in 1H15.
- 1,295[8] contracts on hand as at 31 December 2015 with a total value of $268.7 million, compared with 1,150[8] contracts on hand as at 30 June 2015 ($216.9 million).
- EBITDA[9] of $14.6 million compared with $14.2 million in the previous corresponding period.
- EBITDA[9] margin of 66%, compared with 65% in the previous corresponding period.

Expectations are for continued long-term growth of the Group's Funds Management business, with preparations to release a further retail syndicate opportunity in Victoria and planning for the launch of sales at Flagstone in South East Queensland well progressed.

Development projects
The reduced contribution from the Group's Development business is a result of the Quayside (ACT) apartment project and The Chimes (WA) residential land project completing in FY15. These factors were offset by the continued strong performance of the Group's Aston project and the sale of the Arena, Greenvale project in Victoria.

- 256 lots sold for a gross value of $157.9 million (including the englobo sale of Arena, Greenvale), compared with 256 lots in 1H15 ($67.7 million).
- 181 lots settled for a gross value of $70.8 million, compared with 289 lots in 1H15 ($97.5 million).
- 416[7] contracts on hand as at 31 December 2015, with a total value of $96.4 million, compared with 245[7] contracts on hand as at 30 June 2015 ($58.7 million).
- EBITDA[9] of $17.8 million compared with $19.6 million in the previous corresponding period.
- EBITDA[9] margin of 26%, compared with 21% in the previous corresponding period.

[7] Includes lot equivalents. Excludes Arena englobo sale.
[8] Includes lot equivalents.
[9] Pre write-downs of $ nil and includes effects of non-cash movements in investments in associates and joint ventures, where appropriate.

Joint arrangements

The increased contribution from the Group's Joint Venture business in 1H16 in comparison to 1H15 is predominantly due to the continued solid performances of the Googong (NSW) and Lightsview (SA) projects more than offsetting the reduced contributions from The Village at Wellard (WA) and The Heights (NT).

- 395 lots sold for a gross value of $91.1 million, compared with 448 lots in 1H15 ($115.7 million).
- 437 lots settled for a gross value of $96.2 million, compared with 381 lots in 1H15 ($96.3 million).
- 607[10] contracts on hand as at 31 December 2015 with a total value of $157.9 million, compared with 666 contracts on hand as at 30 June 2015 ($165.3 million).
- EBITDA[11] of $11.1 million compared with $10.2 million in the previous corresponding period.
- EBITDA[11] margin of 31% compared with 21% in the previous corresponding period.

Land portfolio metrics

		1H16	1H15	Change Up/(down)
Lot sales		1,659	1,610	3%
Lot settlements		1,275	1,456	(12%)
Contracts on hand[12] (comparison as at 30 June 2015)	Number	2,318	2,061	
	Value	$523.0m	$440.9m	

Capital management

The Peet Group maintains a disciplined focus on 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 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.

As at 31 December 2015, the Group's gearing[13] was 30.6% following the acquisition of a 123 hectare developing residential estate in Tarneit (Vic) in December 2015, with settlement to occur over three years.

This acquisition followed the Group's sale of its Arena residential estate in Greenvale, (Vic) for $93.1 million with settlement to also occur in instalments over three years. Part of the proceeds from this sale have been redeployed to fund the acquisition of Tarneit at a substantially lower cost base than the Greenvale land.

Peet expects that its gearing[13] will return to within its 20-30% target range by 30 June 2016.

At the end of the period, the Group had interest-bearing debt (including its convertible notes) of $235.1 million, compared with $234.9 million at 30 June 2015. Approximately 53% of the Group's interest-bearing debt was hedged as at 31 December 2015, compared with 51% at 30 June 2015.

[10] Includes lot equivalents.
[11] Pre write-downs of $ nil and includes effects of non-cash movements in investments in associates and joint ventures.
[12] Includes lot equivalents. Excludes Arena englobo sale.
[13] 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.

Entering 2H16 with a solid balance sheet, including cash and facility headroom of $99 million as at 31 December 2015, the Group is currently in advanced discussions in relation to new finance facilities. The Group's current intention is to redeem the convertible notes maturing in June 2016 from operating cash flows and existing debt facilities.

Dividend payments

Subsequent to 31 December 2015, the Directors have declared an interim dividend of 1.75 cents per share, fully franked, in respect to the half-year ended 31 December 2015. This represents a 17% increase on the dividend for 1H15. The dividend is to be paid on 15 April 2016, with a record date of 24 March 2016.

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.

Key elements of Peet's strategy for the remainder of FY16 and beyond 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 48,000 lots to achieve optimal shareholder returns;
- Continuing to assess opportunities to selectively acquire strategic residential land holdings in a disciplined manner under our funds management platform;
- An ongoing focus on maximising return on capital employed in all our key markets;
- Extending opportunities, where appropriate, for wholesale, institutional and retail investors including the anticipated launch of a new retail syndicate opportunity in Victoria in 2H16;
- Maintaining a focus on cost and debt reduction; and
- Continuing to identify and assess growth opportunities in line with our strategic objectives and as appropriate in market conditions, optimising the flexibility afforded by our strong capital position and capital partner relationships.

Outlook

The Australian residential property market was mixed in 1H16 as a result of some uncertainty about the economic outlook. However, 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 expected to remain subdued through the 2016 calendar year.

Activity in the Queensland residential market continues to improve due to its relative affordability, which has seen a recovery in interstate migration. This market recovery is expected to support the launch of the Group's 12,000-lot Flagstone project in 2H16.

Peet has a diversified national portfolio of projects, has demonstrated its ability to manage through variable cycles and is well-positioned for sustainable long-term growth and value creation.

The Group has moved into the second half of FY16 well-positioned to achieve earnings growth, subject to market conditions and the timing of settlements.

Brendan Gore
Managing Director and Chief Executive Officer

25 February 2016

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 2015.

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 2015 attributable to owners of Peet Limited was $18.5 million (2014: $17.1 million). The review of operations for the Group for the half-year ended 31 December 2015 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 Class Order 98/100, 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 Class Order.

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

25 February 2016

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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 2015, 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
25 February 2016

	Notes	December 2015 $'000	December 2014 $'000
Revenue	3	130,154	182,801
Expenses	4	(108,402)	(150,323)
Finance costs	4	(2,546)	(3,827)
Share of net profit of associates and joint ventures		6,585	1,373
Profit before income tax		**25,791**	**30,024**
Income tax expense	5	(7,270)	(9,131)
Profit for the period		**18,521**	**20,893**
Attributable to:			
Owners of Peet Limited		18,510	17,128
Non-controlling interests		11	3,765
		18,521	**20,893**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Realised losses on cash flow hedges transferred to profit or loss		1,137	954
Unrealised losses on cash flow hedges		(2,763)	(2,411)
Share of other comprehensive income of associates		75	(23)
Income tax relating to components of other comprehensive income		488	437
Other comprehensive (loss) for the period, net of tax		**(1,063)**	**(1,043)**
Total comprehensive income for the period		**17,458**	**19,850**
Attributable to:			
Owners of Peet Limited		17,447	16,061
Non-controlling interests		11	3,789
		17,458	**19,850**

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

	Notes	Cents	Cents
Basic earnings per share	6	3.8	3.8
Diluted earnings per share	6	3.8	3.8

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

	Notes	December 2015 $'000	June 2015 $'000
Current assets			
Cash and cash equivalents		49,307	57,723
Receivables		64,923	53,512
Inventories		87,199	100,676
Total current assets		**201,429**	**211,911**
Non-current assets			
Receivables		48,547	47,965
Inventories		511,698	419,858
Investments accounted for using the equity method		188,080	181,826
Property, plant and equipment		10,656	10,932
Intangible assets		2,301	2,589
Total non-current assets		**761,282**	**663,170**
Total assets		**962,711**	**875,081**
Current liabilities			
Payables		66,388	63,346
Land vendor liabilities		43,000	5,000
Derivative financial instruments		746	1,917
Current tax liabilities		6,965	3,324
Borrowings	7	57,500	65,825
Provisions		10,658	11,099
Total current liabilities		**185,257**	**150,511**
Non-current liabilities			
Land vendor liabilities		80,228	43,181
Borrowings	7	177,560	169,100
Derivative financial instruments		4,270	1,473
Deferred tax liabilities		27,086	26,436
Provisions		351	486
Total non-current liabilities		**289,495**	**240,676**
Total liabilities		**474,752**	**391,187**
Net assets		**487,959**	**483,894**
Equity			
Contributed equity	9	385,936	385,962
Reserves		10,705	10,628
Retained profits		86,267	82,264
Capital and reserves attributable to owners of Peet Limited		**482,908**	**478,854**
Non-controlling interests		5,051	5,040
Total equity		**487,959**	**483,894**

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 2014		**328,609**	**8,791**	**66,291**	**403,691**	**16,355**	**420,046**
Profit for the period		-	-	17,128	17,128	3,765	20,893
Other comprehensive income		-	(1,067)	-	(1,067)	24	(1,043)
Total comprehensive income for the period		**-**	**(1,067)**	**17,128**	**16,061**	**3,789**	**19,850**
Contributions of equity, net of transaction costs and tax	9	54,971	-	-	54,971	-	54,971
Dividends paid	10	-	-	(15,214)	(15,214)	-	(15,214)
Share based payments		-	1,003	-	1,003	-	1,003
Balance at 31 December 2014		**383,580**	**8,727**	**68,205**	**460,512**	**20,144**	**480,656**
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	9	(26)	-	-	(26)	-	(26)
Dividends paid	10	-	-	(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**

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

	December 2015 $'000	December 2014 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	141,738	208,867
Payments to suppliers and employees (inclusive of GST)	(108,050)	(127,485)
Payments for purchase of land	(9,500)	(8,775)
Interest and other finance costs paid	(8,725)	(11,284)
Distributions and dividends received from associates and joint ventures	1,534	8,302
Income tax paid	(2,804)	(4,256)
Net cash inflow from operating activities	**14,193**	**65,369**
Cash flows from investing activities		
Payments for property, plant and equipment	(1,288)	(1,545)
Payments for investment in associates	(1,750)	(32,195)
Proceeds from capital returns from associates	1,181	303
Loans to related parties	(6,023)	(1,898)
Interest received	321	313
Net cash outflow from investing activities	**(7,559)**	**(35,022)**
Cash flows from financing activities		
Dividends paid	(14,507)	(10,606)
Repayment of borrowings	(18,505)	(93,517)
Proceeds from borrowings	18,000	39,732
Proceeds from issue of equity securities (net of equity raising costs)	(38)	49,937
Net cash outflow from financing activities	**(15,050)**	**(14,454)**
Net (decrease)/increase in cash and cash equivalents	(8,416)	15,893
Cash and cash equivalents at the beginning of the financial year	57,723	38,783
Cash and cash equivalents at end of the period	**49,307**	**54,676**

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 2015 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 25 February 2016. The condensed 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 statements for the year ended 30 June 2015 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 derive 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		Asset management Company owned projects		Asset management Joint arrangements		Inter-segment eliminations and other unallocated		Consolidated	
	December 2015 $'000	December 2014 $'000	December 2015 $'000	December 2014 $'000	December 2015 $'000	December 2014 $'000	December 2015 $'000	December 2014 $'000	December 2015 $'000	December 2014 $'000
Sales to external customers	21,045	19,785	67,023	94,128	28,539	47,449	11,299	18,479	127,906	179,841
Other revenue	515	1,410	420	718	1,117	277	196	555	2,248	2,960
Share of net profit of associates and JVs	580	891	-	-	6,315	1,588	(310)	(1,106)	6,585	1,373
Total	**22,140**	**22,086**	**67,443**	**94,846**	**35,971**	**49,314**	**11,185**	**17,928**	**136,739**	**184,174**
Corporate overheads							(5,233)	(5,723)	(5,233)	(5,723)
EBITDA excluding write-down in inventories	14,602	14,249	17,817	19,597	11,067	10,160	(3,206)	1,877	40,280	45,883
Write-down of inventories	-	-	-	-	-	-	-	-	-	-
EBITDA	**14,602**	**14,249**	**17,817**	**19,597**	**11,067**	**10,160**	**(3,206)**	**1,877**	**40,280**	**45,883**
Depreciation and amortisation	(40)	(50)	(976)	(767)	(152)	(255)	(515)	(492)	(1,683)	(1,564)
EBIT	**14,562**	**14,199**	**16,841**	**18,830**	**10,915**	**9,905**	**(3,721)**	**1,385**	**38,597**	**44,319**
Financing costs (includes interest and finance costs expensed through cost of sales)									(12,806)	(14,295)
Profit before income tax									**25,791**	**30,024**
Income tax expense									(7,270)	(9,131)
Profit for the period									**18,521**	**20,893**
Profit attributable to non-controlling interests									(11)	(3,765)
Profit attributable to owners of Peet Limited									**18,510**	**17,128**

3. Revenue

	December 2015 $'000	December 2014 $'000
Revenue from sales of land	102,053	153,227
Project management and performance fees	25,853	26,614
Other revenue	2,248	2,960
	130,154	**182,801**

4. Profit before income tax

	December 2015 $'000	December 2014 $'000
Profit before income tax includes the following specific expenses:		
Expenses		
Land and development cost	60,103	101,890
Capitalised interest and finance expense	10,260	10,468
Total land and development cost	**70,363**	**112,358**
Depreciation	1,516	1,315
Amortisation	167	249
Total depreciation and amortisation	**1,683**	**1,564**
Employee benefits expense	17,458	17,112
Project management, selling and other operating costs	10,937	11,208
Other expenses	7,961	8,081
Total other expenses	**36,356**	**36,401**
Total expenses	**108,402**	**150,323**
Finance costs		
Interest and finance charges paid/payable	6,998	9,862
Interest on convertible notes	2,997	2,926
Amount capitalised	(7,449)	(8,961)
Total finance costs	**2,546**	**3,827**

5. Income tax

	December 2015 $'000	December 2014 $'000
Major components of tax expense		
Current tax	7,133	5,602
Deferred tax	137	3,529
	7,270	**9,131**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	25,791	30,024
Tax at Australian tax rate of 30% (2014: 30%)	7,737	9,007
Tax effect of amounts which are not deductible		
Share of net profit of associates	(726)	(412)
Employee benefits	342	301
Franking rebate	(400)	(33)
Other	317	268
	7,270	**9,131**

6. Earnings per share

	December 2015	December 2014
Profit attributable to the ordinary equity holders of the Company ($'000)	18,510	17,128
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	489,236,844	445,605,519
Basic and diluted earnings per share (cents)	3.8	3.8

There are 1,200,000 options and 500,000 convertible notes 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 2015		June 2015	
	Facility Amount	Utilised Amount	Facility Amount	Utilised Amount
	$'000	$'000	$'000	$'000
Bank loans[1]	245,000	185,515	265,000	185,784
Convertible notes[2]	50,000	49,384	50,000	48,744
Fixed rate loan[2]	161	161	397	397
	295,161	**235,060**	**315,397**	**234,925**

[1] Secured
[2] Unsecured

The borrowings are disclosed as follows in the balance sheet:

	December 2015 $'000	June 2015 $'000
Borrowings – Current	57,500	65,825
Borrowings – Non-current	177,560	169,100
Total borrowings	235,060	234,925
Cash and cash equivalents	(49,307)	(57,723)
Net debt	185,753	177,202

8. Contingencies and commitments

	December 2015 $'000	June 2015 $'000
Bank guarantees outstanding	18,889	26,235
Insurance bonds outstanding	9,717	10,422
	28,606	**36,657**

All contingent liabilities are expected to mature within 1 year. 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.

9. Contributed equity

Movements in ordinary share capital

Date	Details	Number of Shares	$'000
30 June 2014	**Opening balance**	**433,389,348**	**328,609**
22 September 2014	Vested Performance rights less transaction costs	1,292,657	(6)
31 October 2014	Dividend reinvestment plan	3,905,709	4,608
14 November 2014	Institutional placement less transaction costs	36,036,036	38,539
12 December 2014	Share purchase plan	3,923,628	4,306
22 December 2014	Capital raising	6,306,306	6,946
30 April 2015	Dividend reinvestment plan	2,135,489	2,489
	Deferred tax credit recognised in equity	-	471
30 June 2015	**Closing balance**	**486,989,173**	**385,962**
17 August 2015	Vested Performance rights less transaction costs	2,991,386	(38)
	Deferred tax credit recognised in equity	-	12
31 December 2015	**Closing balance**	**489,980,559**	**385,936**

10. Dividends

(a) Dividends paid

The Directors declared a final fully franked dividend of 3.0 cents per share in respect of the year ended 30 June 2015. The dividend of $14.5 million was paid on 30 September 2015.

(b) Dividends not recognised at period end

Subsequent to 31 December 2015, the Directors have declared an interim dividend of 1.75 cents per share fully franked in respect to the year ending 30 June 2016. The dividend is to be paid on Friday, 15 April 2016, with a record date of Thursday, 24 March 2016.

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 is $5 million (30 June 2015: $3.4 million).

There have been no transfers between levels during the period.

Disclosure

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

The quoted market value (on ASX) of a convertible note as at 31 December 2015 is $100. At 31 December 2015, the carrying value of the convertible note debt is $49.4 million.

12. Significant events during the period

During the period, the Group announced the sale of Arena residential estate in Greenvale, north of Melbourne, Victoria for $93.1 million. The sale is unconditional, with settlement to occur in instalments over three years. The first instalment of $28 million was received in December 2015.

The Group acquired a developing residential estate in Tarneit, Victoria during the half-year ended 31 December 2015, for $90 million. The acquisition is unconditional, with settlement to occur in instalments over three years.

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 2015 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

25 February 2016

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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 2015, 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, and the directors' declaration of the consolidated entity comprising 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 for such internal controls as 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 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 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . 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.

Independence

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 the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
25 February 2016