

25 November 2015

## Chairman's Address to 2015 Peet Limited Annual General Meeting

### Introduction

Good morning ladies and gentlemen.

It's a pleasure to be here in this, the 120th year of Peet Limited and I thank you for joining us for the 2015 Annual General Meeting.

120 years is an impressive milestone in anyone's language.

As mentioned in Peet's 120th year commemorative book, "Few companies can mirror the development of Western Australia into the modern state it is today. Many have come and gone; few have endured."

Of course, in more recent decades – and in recent years when you consider the acquisition of CIC Australia – Peet has gone on to become a key player in the development of residential communities across all mainland Australian states and territories.

With our company having reached such a significant milestone, it is appropriate to reflect just briefly on our founder and our rich history.

James Thomas Peet was a man with a real eye for the potential in land and an entrepreneurial flair – and I confirm that's something we still have in the business.

He was a surveyor and draughtsman who left England in 1886 and headed to the remote British colonies. He landed first in Brisbane, then worked in Victoria before heading west in the 1890s and opened an office on William Street – in good time to ride the wave of property sales that soon followed the discovery of gold.

His passion was for property and he believed that owning property and having a home of your own was every Australian's birthright. He set out helping to make this a reality – with some very clever marketing, a great sense of humour, and great compassion too; and we retain all of those features in the Peet Limited of today.

James Peet may have been a man of great vision, but I'm not sure he would have imagined anything like the business that carries his name today.

We commence our next 120 years with a clear strategy and an adaptable business that underpins our current and future growth objectives.

Today we are a strong, national property group with a diversified portfolio of projects in every mainland state and territory.

This past financial year was our first full year with CIC Australia as part of the Group – and we are seeing the benefits of that strategic acquisition in a number of different aspects of our operations and performance.

Additionally, I believe we are better than we ever have been at tuning into current and future market demand and being able to deliver the diversity of product required. There is a growing sophistication in the range and quality of what is on offer – and the earlier stages at which we are delivering amenity – that buyers of all ages and stages in life find appealing.

In the past financial year, we have given homebuyers the choice of fashionable new suburban apartments; townhouses and terraces; neat cottage blocks that still provide room for significant family homes; right through to traditional lots, and large acreage bush blocks at places like Avon Ridge in Perth's hills or Spring Mountain in South East Queensland.

Creating new population centres creates demand for retail and this year we have also built on a recent strong track record in delivering retail centres. That body of work includes:

- the Carramar Shopping Village which was delivered in 2009 for our Yatala Unit Trust syndicate, and is now a mainstay of that community; and
- at The Village at Wellard, the Wellard Square was opened by the Minister for Housing late last year.

More recently, we've announced:

- the joint acquisition for the proposed development of the Shorehaven Coastal Village that will include a Woolworths' operated shopping centre; and
- that retail giants Coles, K-Mart and ALDI would be anchoring our Lakelands Town Centre where early works have now begun.

There are plans for a number of future neighbourhood shopping centres at our estates across the Country, which Peet will seek to facilitate the development of in the coming years, so as to provide added amenity for our communities.

In Queensland this includes plans for the eventual delivery of a major town centre with retail and commercial opportunities at Flagstone City that will provide employment and vibrancy in that region.

Working with third-party investors and quality operators is a capital efficient mechanism to deliver such amenity for the residents of our communities and an example of the value-add activities that benefit our own investors and shareholders, and a logical extension of our funds management business.

We have been able to do that successfully because of the relationships Brendan Gore and our leadership group continue to forge and nurture; and the reputation we have built over the years around the country.

## **Flagstone**

I mentioned Flagstone a moment ago – a flagship project that we are undertaking jointly with MTAA Super, one of Australia's biggest superannuation funds.

Over the next 30 years Flagstone is expected to deliver 12,000 new homes, in addition to the town centre mentioned earlier, attract 30,000 people and generate 10,000 jobs.

It offers homebuyers, businesses and investors the chance to get in on the ground floor of a proposed new city, less than an hour's drive from Brisbane, in one of Australia's fastest growing local government areas.

Flagstone will be the main residential and commercial area for a massive growth area, known as Greater Flagstone - one of only four Priority Development Areas in Queensland.

The Flagstone masterplan is made up of six self-contained residential villages, which surround a 126-hectare regional business centre which will have shops, apartments, provision for a passenger train station, civic facilities, tertiary education and health campuses.

There will be a large range of homes available, from city-style apartments and townhouses, to compact and traditional lots plus innovative alternatives like architecturally designed spaces for home-based businesses.

More than 300 hectares of the land in the community has also been set aside for parks, reserves and public open space to take advantage of the area's attractive environment, natural waterways and expansive mountain views.

The good news is that the project has significantly progressed through the planning approvals process and the first residential and commercial lots in Flagstone City are due to be released in the New Year.

### **National Group, East Coast Focus**

The commencement of sales at Flagstone City is an important milestone in Peet's positioning as a truly national property development group and the continuing reweighting of our activities to the east coast.

One of Peet's core strengths is our diversified portfolio across Australia which allows us to manage through variable and often challenging market conditions. In the past financial year, that was again evident with strong results from our Victorian portfolio offsetting the reduced performance from some of our estates on the west coast and the substantial completion in 2014 of both the highly successful Warner Lakes project in Queensland and the Crace project in the ACT.

Following a successful equity raising of \$51 million during the year, we acquired an interest in a series of new projects, predominantly under our funds management model, which expanded our Victorian, South Australian and Western Australian portfolios.

Our Western Australian portfolio comprises predominantly funds management projects with government, institutional and retail investors partnering with us in the development and marketing of projects from Yanchep through to Mandurah.

We are well positioned for future growth and will continue to assess opportunities to acquire quality residential land holdings under our Funds Management platform, with a strategic focus on the east coast.

### **FY15 Performance**

Let me turn now briefly to our performance in the year just past, which will be expanded on by Managing Director and Chief Executive Officer, Brendan Gore's address to the meeting. His address will outline in more detail our future prospects and plans.

We achieved very solid results for FY15 and we head into the new year with a strong balance sheet. Our Group recorded an operating profit after tax of \$38.5 million for the year, which represented a 22 per cent increase over the previous year. This strong uplift in operating profit comes on the back of a stronger second half of the year as a result of continuing strength in the Victorian market and a weighting of settlements in the second half of the year. Our statutory net profit for the full year was also \$38.5 million, and revenue for the year was up 22 per cent to \$360.9 million, driven by our Development business.

In 2015 we were pleased to offer investors an opportunity to invest in the Peet Tarneit Land Syndicate, which is developing a 300-lot estate in Victoria. It was pleasing to note a significant increase in applications for this latest Peet land syndicate from new investors, predominantly from the east coast, which strengthens the Group's retail investor base.

### **Dividend**

The Directors are pleased to have declared a final dividend for the 2015 financial year of 3.0 cents per share, fully franked, bringing the total dividend for the 2015 financial year to 4.5 cents per share, fully franked. It represents uplift on the 2014 financial year dividend which was 3.5 cents per share, unfranked.

## Outlook

Ladies and gentlemen. I am pleased to confirm that we continue to manage our land bank of some 47,000 potential residential lots, with a focus on maximising return on capital employed to achieve optimal shareholder returns.

Significantly, our strategy includes an expectation of having over 80 per cent of our land bank in various stages of development by the end of FY17.

Mixed market conditions are expected to continue through FY16, though the Group's greatest near-term exposure is to the well-performing Victorian market; the commencement of Flagstone City in Queensland will boost the contribution to earnings from that market and, in Western Australia, we have commenced new projects in the better-performing affordable north eastern and south eastern corridor.

We have taken a confident but responsible approach to the FY16 financial year and are encouraged by the prospects ahead of us.

## The Board

I also take this opportunity to express my appreciation to my colleagues on the Peet Board; they have worked diligently in applying a wealth of experience and expertise in coordination with our very committed management team.

I thank Managing Director and Chief Executive Officer Brendan Gore, and Non-executive Directors Anthony Lennon, Trevor Allen, Vicki Krause and Bob McKinnon for their continued contributions towards bringing Peet Limited to its present strength and healthy outlook.

## The Peet Team

The Peet Group is in a very fortunate position – not only in terms of its portfolio of property assets – but in terms of its human resources too.

We have an outstanding Managing Director in Brendan Gore and a leadership team who has an impressive breadth of skills and total application to optimising the performance of the Group.

And that is an appropriate lead in to a brief discussion about remuneration.

## Remuneration

A detailed remuneration report is provided as part of our Annual Report and it outlines the factors we take into consideration when determining the right level of remuneration for our key people.

We seek to achieve a balance between Peet's current financial performance and the development and implementation of strategies that will deliver the Group long-term benefits. We need to attract and retain the very best people with the skills and experience to manage and grow the business, while needing to be prudent in the remuneration paid to them.

With the benefit of independent advice, as required, and the careful deliberations of our Remuneration Committee, we have reached outcomes I believe are fair and reasonable, and in the best interests of the Peet Group.

The Corporations Act requires a resolution to be put to the Meeting adopting the Remuneration Report, appearing in the Annual Report. This vote is advisory only, and does not bind the Directors or the Company. We will come to that vote later in today's meeting.



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### **Shareholders**

The Annual General Meeting is a fitting time and place to say a very special 'thank-you' to you – our shareholders and also our note holders, to our Syndicate investors and our joint venture partners.

On behalf of everyone at Peet, may I express what I hope is a given – that we value enormously the support we have from our investors and partners, including many of Australia's leading institutions, and people and organisations who have stood with us for many years.

We work for you – and for tens of thousands of homeowners in our communities across Australia – and we're excited about continuing that work in the year ahead and well beyond.

On behalf of the Board and everyone at Peet, I wish you and your families a very safe and happy festive season. I look forward to joining you here again next year – as we start our next 120 years.

I now hand over to our Managing Director and Chief Executive Officer, Brendan Gore.