Peet Limited

ABN 56 008 665 834

Appendix 4D and Consolidated Financial Statements
for the half-year ended 31 December 2013

Appendix 4D

Half-year Financial Report

Results for Announcement to the Market

Entity:	Peet Limited and its controlled entities
Reporting Period:	31 December 2013
Previous Corresponding Period:	31 December 2012

				$'million
Revenue	Up	13%	to	104.1
Statutory profit after tax attributable to owners of Peet Limited	Up	1,220%	to	13.2
Basic earnings per share (cents)	Up	933%	to	3.1c
Diluted earnings per share (cents)	Up	933%	to	3.1c

Dividends	Cents per security	% Franked per security
Current Year		
Interim dividend 2014	NIL	n/a
Previous Year		
Final dividend 2013	NIL	n/a
Interim dividend 2013	NIL	n/a

Results Commentary[1]

Key results

- Operating profit[2] after tax of $14.5m for 1H14 compared with $1.0m in 1H13
- Statutory profit[2] after tax of $13.2m
- 1,735 lots sold compared with 865 in 1H13
- 1,507 lots settled compared with 814 in 1H13
- 2,184 contracts on hand as at 31 December 2013, compared with 1,956 at 30 June 2013
- EBITDA[3] of $27.9m, with a margin of 23%
- Gearing[4] of 33%
- Net Tangible Assets[5] per share of $1.06

Financial commentary

The Group's operating profit[2] after tax for the half-year ended 31 December 2013 was $14.5 million and the indications are positive for further improvements in 2H14.

The half-year result is in line with expectations, and also reflects the first full reporting period in which Peet has held an 86% controlling interest in CIC Australia Limited ("CIC").

The Group's statutory profit[2] after tax was $13.2 million, compared to $1.0 million in the previous corresponding period.

The Group's performance during the first half of FY14 also reflects a broadening market improvement after challenging conditions endured through the first half of FY13. On the back of improving markets in the 2H13 and into 1H14, the Group has invested in building its inventory to take advantage of these positive trends as they lead into the second half of FY14.

Margins during 1H13 were reflective of the settlement of sales achieved during 2H13 when pricing strategies were implemented to meet and motivate market demand, facilitating the recycling of capital through the business. The margins are expected to improve in 2H14 as a result of settlements of lots sold in Development projects in improving markets with the benefit of price growth.

Peet is continuing its non-core asset divestment program in an orderly manner as part of its overall strategy to improve performance by better focusing the Group's activities and resources. As at 31 December 2013, another three properties were under contract with a total value of $22.4 million bringing the total asset divestment program to $92.9 million.

Peet remained committed to disciplined cost control in the first half of the year, and continued its proactive approach to investment in development and infrastructure to meet improving market demand for quality, affordable land.

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[1] AASB 10 *Consolidated Financial Statements* (AASB 10) and AASB 11 *Joint Arrangements* were adopted from 1 July 2013. As required by the accounting standards, comparative periods have been restated. Further detail of the restatement is disclosed in note 1 to the Financial Statements. Also, the number of lots sold and settled in comparative periods have, where relevant, been restated to consistently reflect the treatment of superlots.

[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 totalling $15.3 million in 1H14. 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. For the half-year ended 31 December 2013, operating profit of $14.5 million is calculated as statutory profit attributable to the owners of Peet of $13.2 million, adjusted for write-downs in inventory, after tax, of $1.3 million.

Statutory profit measures profit in accordance with Australian Accounting Standards.

[3] Pre write-downs of $1.8 million (before tax) and includes effects of non-cash movements in investments in associates and joint ventures totalling $15.3 million in 1H14.

[4] (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets). Excludes CIC and syndicates consolidated under AASB10.

[5] Market adjusted NTA is based on independent bank-instructed mortgage valuations, adjusted for development costs and settlements post 30 June 2013.

Operational commentary

The Group achieved 1,735 sales and 1,507 settlements in the first half – an increase of 101% and 85% respectively compared with the previous corresponding period.

At 31 December 2013, there were 2,184 contracts on hand, with a gross value of $537.7 million, compared with 1,956 contracts on hand as at 30 June 2013 with a gross value of $484.9 million.

Funds management projects

- Revenue[6] of $24.5m, compared with $14.1m in the previous corresponding period .
- 839 lots sold (compared with 595 in 1H13, up 41%) for a gross value of $191.7 million (up 17%).
- 751 lots settled (compared with 591 lots in 1H13, up 27%) for a gross value of $175.8 million (up 14%).
- 985 lots under contract as at 31 December 2013 (compared with 897 lots under contract as at 30 June 2013, up 10%) with a total value of $225.9 million (up 8%).
- EBITDA[6] of $15.5 million compared with $9.1 million in the previous corresponding period.
- EBITDA margin[6] of 63%, compared with 64% for the previous corresponding period.

Development projects

- Revenue of $29.2 million, compared with $55.9 million in the previous corresponding period (down 48%) – with 1H13 impacted by the settlement of englobo land sales.
- 271 lots sold (compared with 151 sales in 1H13, up 79%) at a gross value of $82.8 million (up 38%).
- 137 lots settled (compared with 134 settled in 1H13, up 2%) for a gross value of $32.7 million (down 46%).
- 362 lots under contract as at 31 December 2013 (compared with 228 lots under contract as at 30 June 2013, up 59%), for a gross value of $115.8 million (up 77%).
- EBITDA[7] of $4.8 million compared with $9.2 million in the previous corresponding period.
- EBITDA margin[7] of 16%, unchanged from the previous corresponding period.

Joint venture projects

The positive impact from the acquisition of CIC is evidenced in the results below.

- Revenue[6] of $53.5m, compared with $9.1m in the previous corresponding period (up 488%).
- 625 lots sold (compared with 119 sales in 1H13, up 425%) for a gross value of $150.2 million (up 644%).
- 619 lots settled (compared with 89 settled in 1H13, up 596%) for a gross value of $163.1 million (up 728%).
- 837 lots under contract as at 31 December 2013 (compared with 831 lots under contract as at 30 June 2013, up 1%) for a gross value of $196.0 million (down 6%).
- EBITDA[6] of $13.1 million compared with $1.2 million in 1H13.
- EBITDA margin[6] of 24% compared with 13% in 1H13.

[6] Includes effects of movements in investments in associates and joint ventures, where appropriate. Refer to Note 2 Segment Reporting in the Financial Statements for further detail.

[7] Pre write-downs

Land portfolio metrics

		1H14	1H13	Change Up/(down)
Lot sales		1,735	865	101%
Lot settlements		1,507	814	85%
Contracts on hand (comparison as at 30 June 2013)	Number	2,184	1,956	12%
	Value	$537.7m	$484.9m	11%

Capital management

Important elements of Peet's capital management strategy are the reduction of debt levels via the sale of non-core assets, disciplined cost control across the Group and improving business efficiencies.

The Group's non-core asset divestment program progressed in 1H14 with the sale of a further three land parcels with a total value of $22.4 million. These properties are all due to settle before the end of the 2014 calendar year.

During 1H14 however, Peet has responded to improving market conditions with significant investment in the development and construction of new lots, particularly in Western Australia and Victoria where there has been increased inquiry and an upward trend in sales volumes.

As at 31 December 2013, Gearing[8] was 33% (compared to 29% at 30 June 2013) and the Group continues to target gearing of less than 30% by 30 June 2014.

At the end of the period, the Group had interest-bearing debt (including its convertible notes) of $332.9 million, compared with $321.0 million at 30 June 2013. Some 73% of the Group's interest-bearing debt was hedged as at 31 December 2013, (compared with 78% at 30 June 2013).

Peet has been negotiating a new four year syndicated loan facility with its banks and formal documentation is expected to be completed in March 2014.

Dividend payments

The Directors intend to reinstate a full-year dividend for FY14.

Group strategy

The Group will continue with its strategy including:

- the delivery of affordable product to a broad range of homebuyers in Australia's expanding urban areas;
- a market-responsive approach to development investment – building inventory in improving markets to meet future demand;
- prudent capital management including continued debt reduction, improved operating cash flow and committed cost control; and
- positioning the Group to take advantage of future growth opportunities.

[8] (Total interest bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets). Excludes CIC and syndicates consolidated under AASB10 *Consolidated Financial Statements*.

Outlook

The Group is positioned to take advantage of improving markets.

The underlying foundations of the residential sector remain sound, however mixed market conditions are expected to persist throughout FY14. Conditions across the Perth market are expected to remain robust with the price growth anticipated to moderate, Victorian sales volumes are anticipated to remain steady but price sensitive, while activity in the Queensland market is improving. However, affordability, softening labour market conditions and consumer caution is likely to make for a subdued uplift.

BRENDAN GORE
MANAGING DIRECTOR

27 February 2014

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 2013.

Directors

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

AW Lennon (Chairman)
BD Gore
SF Higgs
GW Sinclair
AJ Lennon
T J Allen

Review of operations

Net profit after tax for the half-year ended 31 December 2013 was $14,038,000 (2012: $395,000). The review of operations for the Peet Group for the half-year ended 31 December 2013 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

27 February 2014

Building a better working world

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Auditor's Independence Declaration to the Directors of Peet Limited

In relation to our review of the half-year financial report of Peet Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

P McIver
Partner
27 February 2014

PM:DJ:Peet:003

Peet Limited
Consolidated Income Statement
For the half-year ended 31 December 2013

		Consolidated	
	Notes	**31 Dec 2013 $'000**	31 Dec 2012 $'000 Restated
Revenue			
Revenue from ordinary activities	3	**100,914**	89,935
Other revenue	3	**3,197**	1,878
		104,111	91,813
Expenses			
Land and development cost expense	4	**(61,180)**	(62,450)
Employee benefits expense		**(18,045)**	(9,081)
Depreciation and amortisation	4	**(1,546)**	(1,334)
Project management, selling and other operating costs		**(8,440)**	(6,757)
Office costs		**(3,386)**	(2,632)
Other expenses		**(4,928)**	(4,212)
Finance costs	4	**(5,094)**	(4,138)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method		**15,280**	(550)
Write-down in carrying value of inventories and development costs		**(1,806)**	-
Profit before income tax		**14,966**	659
Income tax expense	5	**(928)**	(264)
Profit after tax		**14,038**	395
Attributable to :			
Owners of Peet Limited		**13,224**	1,020
Non-controlling interests		**814**	(625)
		14,038	395
Earnings per share for profit attributable to the ordinary equity holders of the company:		**Cents**	Cents
Basic earnings per share	9	**3.1**	0.3
Diluted earnings per share	9	**3.1**	0.3

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Peet Limited
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2013

	Consolidated	
	31 Dec 2013 $'000	31 Dec 2012 $'000 Restated
Profit after tax	**14,038**	395
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**1,764**	381
Share of other comprehensive income of associates	**(40)**	64
Income tax relating to components of other comprehensive income	**(517)**	(133)
Other comprehensive income for the half-year, net of tax	**1,207**	312
Total comprehensive income for the half-year	**15,245**	707
Total comprehensive income for the half-year is attributable to:		
Owners of Peet Limited	**14,331**	1,292
Non-controlling interests	**914**	(585)
	15,245	707

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Peet Limited
Consolidated Statement of Financial Position
As at 31 December 2013

		Consolidated	
	Notes	**31 Dec 2013 $'000**	30 Jun 2013 $'000 Restated
Current assets			
Cash and cash equivalents		**26,555**	36,420
Receivables		**40,945**	46,779
Inventories		**162,093**	139,016
Current tax assets		**69**	-
Total current assets		**229,662**	222,215
Non-current assets			
Receivables		**17,737**	21,713
Inventories		**400,865**	403,121
Investments accounted for using the equity method		**166,898**	147,119
Available for sale financial assets		**107**	429
Property, plant and equipment		**11,477**	12,437
Deferred tax assets		**19,144**	20,453
Intangible assets		**2,692**	2,805
Total non-current assets		**618,920**	608,077
Total assets		**848,582**	830,292
Current liabilities			
Payables		**47,361**	49,417
Land vendor liabilities		**11,637**	16,737
Borrowings	7	**46,537**	85,933
Derivative financial instruments		**709**	1,575
Current tax liabilities		**-**	4,489
Provisions		**7,360**	9,914
Total current liabilities		**113,604**	168,065
Non-current liabilities			
Payables		**194**	219
Land vendor liabilities		**15,666**	14,999
Borrowings	7	**286,335**	235,054
Derivative financial instruments		**3,619**	4,517
Deferred tax liabilities		**27,844**	26,524
Provisions		**655**	584
Total non-current liabilities		**334,313**	281,897
Total liabilities		**447,917**	449,962
Net assets		**400,665**	380,330
Equity			
Contributed equity	8	**328,609**	325,193
Reserves		**7,020**	4,239
Retained profits		**49,224**	36,000
Capital and reserves attributable to owners of Peet Limited		**384,853**	365,432
Non-controlling interests		**15,812**	14,898
Total equity		**400,665**	380,330

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Peet Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2013

Consolidated	Notes	Contributed equity	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to owners of Peet Limited					
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012 (as previously reported)		**203,713**	**1,127**	**43,143**	**247,983**	**17,353**	**265,336**
Changes in accounting policies	1	-	-	(8,023)	(8,023)	(11,550)	(19,573)
Balance at 1 July 2012 (Restated)		**203,713**	**1,127**	**35,120**	**239,960**	**5,803**	**245,763**
Profit for the half-year		-	-	1,020	1,020	(625)	395
Other comprehensive income		-	271	-	271	41	312
Total comprehensive income for the half-year		**-**	**271**	**1,020**	**1,291**	**(584)**	**707**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		(3)	-	-	(3)	-	(3)
Share based payments		-	609	-	609	-	609
		(3)	609	-	606	-	606
Balance at 31 December 2012 (Restated)		**203,710**	**2,007**	**36,140**	**241,857**	**5,219**	**247,076**

Consolidated	Notes	Contributed equity	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to owners of Peet Limited					
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2013 (as previously reported)		**325,193**	**4,239**	**43,333**	**372,765**	**28,456**	**401,221**
Changes in accounting policies	1	-	-	(7,333)	(7,333)	(13,558)	(20,891)
Balance at 1 July 2013 (Restated)		**325,193**	**4,239**	**36,000**	**365,432**	**14,898**	**380,330**
Profit for the half-year		-	-	13,224	13,224	814	14,038
Other comprehensive income		-	1,107	-	1,107	100	1,207
Total comprehensive income for the half-year		**-**	**1,107**	**13,224**	**14,331**	**914**	**15,245**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	8	3,416	-	-	3,416	-	3,416
Share based payments		-	1,674	-	1,674	-	1,674
		3,416	1,674	-	5,090	-	5,090
Balance at 31 December 2013		**328,609**	**7,020**	**49,224**	**384,853**	**15,812**	**400,665**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Peet Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2013

	Consolidated	
	31 Dec 2013 $'000	31 Dec 2012 $'000 Restated
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**119,340**	112,690
Payments to suppliers and employees (inclusive of goods and services tax)	**(124,437)**	(85,672)
Payments for purchase of land	**(9,257)**	(3,000)
Interest and other finance costs paid	**(13,850)**	(16,069)
Distributions from associates and jointly controlled entities	**11,200**	10,570
Dividends received	**862**	806
Income tax (paid)/refund	**(3,383)**	8,123
Net cash (outflow)/inflow from operating activities	**(19,525)**	27,448
Cash flows from investing activities		
Payments for property, plant and equipment	**(464)**	(484)
Payments for intangibles	**(226)**	(519)
Payments for investment in associates and jointly controlled entities	**(14,023)**	(725)
Loans to related entities	**(1,166)**	(963)
Repayment of loans by related entities	**160**	303
Interest received	**343**	437
Net cash outflow from investing activities	**(15,376)**	(1,951)
Cash flows from financing activities		
Repayment of borrowings	**(41,724)**	(36,544)
Proceeds from borrowings	**63,015**	8,984
Proceeds from issue of equity securities (net of equity raising costs)	**3,413**	-
Transaction costs of share issue	**-**	(3)
Proceeds from capital returns	**332**	-
Net cash inflow/(outflow)from financing activities	**25,036**	(27,563)
Net decrease in cash and cash equivalents	**(9,865)**	(2,066)
Cash and cash equivalents at the beginning of the half-year	**36,420**	24,165
Cash and cash equivalents at end of the half-year	**26,555**	22,099

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 2013 is for the Consolidated Entity consisting of Peet Limited and its subsidiaries ("Group"). 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 2013 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 except for changes in accounting policies due to implementation of new and amended standards adopted by the Group as discussed below.

Peet Limited (the Company) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

(a) New and amended standards and interpretations adopted by the Group

The Group applied, for the first time, the following standards that require restatement of previous financial statements. These are AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements* . The application of AASB 119 *Employee Benefits (revised 2011)* resulted in a change in the accounting policy but did not have a material impact on the financial statements. In addition, the application of AASB 12 *Disclosure of Interests in Other Entities* and AASB 13 *Fair Value Measurement* will result in additional disclosures in the consolidated financial statements for the year ended 30 June 2014.

The nature and the impact of each of the new standards and amendments is described below:

AASB 10 *Consolidated Financial Statements* and AASB 127 *Separate Financial Statements*

The Group adopted AASB 10 in the current year. The application of AASB 10 affected the accounting for the Group's interests in certain Syndicates. For all financial years up to 30 June 2013, these entities were considered to be associates under the previously existing AASB 128 *Investments in Associates* and were accounted for using the equity method. At the date of initial application of AASB 10 (1 July 2013), the Group assessed that it controls these entities based on the factors explained in Note 1(b) below which also details the new accounting policy.

The Group has consolidated the financial statements of these entities based on its equity interest and accounted for the balance as non-controlling interests. The assets, liabilities and equity of these entities have been retrospectively consolidated in the financial statements of the Group. Non-controlling interests have been recognised at a proportionate share of the net assets of the subsidiary. The opening balances at 1 July 2012 and comparative information for half-year ended 31 December 2012 and the year ended 30 June 2013 have been restated in the consolidated financial statements.

AASB 11 *Joint Arrangements* and AASB 128 *Investment in Associates and Joint Ventures*

The application of AASB 11 impacted the Group's accounting of its interest in Lightsview Joint Venture. The Group has a 50% interest in Lightsview Joint Venture via the acquisition of CIC Australia Limited in May 2013. Prior to the transition to AASB 11, Lightsview Joint Venture was classified as a jointly controlled entity and was accounted for using the equity method. Upon adoption of AASB 11, the Group has determined its interest in Lightsview Joint Venture to be classified as a joint operation under AASB 11 and discontinued equity method accounting. The Group now accounts for its share of the assets, liabilities, expenses and revenues, including its share of those held or incurred jointly in relation to the Lightsview Joint Venture. The transition from equity method to accounting for assets and liabilities has been applied from the acquisition date and accordingly, the comparative for the immediately preceding period has been restated. The new policy is detailed in Note 1(c) below.

The following tables summarise the material impacts resulting from the changes in the accounting policies on adoption of AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements* on the Group's assets, liabilities and equity as at 1 July 2012 and 30 June 2013 and net profit after tax for the half-year ended 31 December 2012 and year ended 30 June 2013.

Impact on the Group's assets, liabilities and equity (increase/(decrease) in net assets) as at 30 June 2013 and 1 July 2012:

	Consolidated	
	30 Jun 2013 $'000	**1 Jul 2012 $'000**
Current asset	1,181	713
Non-current assets	3,911	16,286
Total assets	**5,092**	**16,999**
Current liabilities	26,362	37,489
Non-current liabilities	(379)	(917)
Total liabilities	**25,983**	**36,572**
Net assets	**(20,891)**	**(19,573)**
Non-controlling interests	(13,558)	(11,550)
Owners of Peet Limited	(7,333)	(8,023)
Total equity	**(20,891)**	**(19,573)**

1. Basis of Preparation of Consolidated Financial Statements (continued)

(a) New and amended standards and interpretations adopted by the Group (continued)

Impact on net profit after tax (increase/(decrease))for the half year ended 31 December 2012 and year ended 30 June 2013

	Consolidated	
	30 Jun 2013 $'000	31 Dec 2012 $'000
Profit/(loss) before tax	**(1,093)**	**(873)**
Profit/(loss) after tax	**(1,365)**	**(677)**
Attributable to :		
Owners of Peet Limited	689	(220)
Non-controlling interests	(2,054)	(457)
	(1,365)	**(677)**
Impact on earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share (cents)	0.20	(0.07)
Diluted earnings per share (cents)	0.20	(0.07)

AASB 13 *Fair Value Measurement*

AASB 13 establishes a single source of guidance under AASB for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AASB. AASB 13 defines fair value as an exit price. Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, will be included in the consolidated financial statements for the year ending 30 June 2014.

AASB 119 *Employee Benefits*

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. This standard resulted in a change in the accounting policy but did not have a material impact on the financial statements.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

1. Basis of Preparation of Consolidated Financial Statements (continued)

(c) Investment in Joint arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Group recognises' its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Group's share of the net assets of the venture.

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, EBIT and profit after tax.

On 17 May 2013, the Company acquired an 83.15% equity interest in CIC Australia Limited ("CIC") for $63.7 million. At 31 December 2013, Group's share had increased to 86.03%. The performance of CIC for the half-year is included in the reportable segments described below and assessed by the executive management group in the same manner as Group's reportable segments.

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

Funds Management/Land Syndication

External equity capital raisings are undertaken to fund the acquisition of land across Australia. The Group 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 Group 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 venturer/operator will normally contribute the land and the Group funds the development costs. The Group is typically entitled to ongoing fees for management of the development project and also a share of the profits.

The Group operates only in Australia.

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 syndicates being consolidated. These entities however, continue to be managed and reported to the executive management group as part of the funds management/ land syndication business segment. Adjustments are included in "Inter‑Segment Eliminations and Other Unallocated" to reconcile reportable business segment information to the Group's consolidated income statement. The comparative information has been restated accordingly.

2. Segment reporting (continued)

Primary Reporting	Funds Management/ Land Syndication 31 Dec 2013 $'000	Funds Management/ Land Syndication 31 Dec 2012 $'000	Company-owned Projects 31 Dec 2013 $'000	Company-owned Projects 31 Dec 2012 $'000	Joint Ventures 31 Dec 2013 $'000	Joint Ventures 31 Dec 2012 $'000	Inter-Segment Eliminations and Other Unallocated 31 Dec 2013 $'000	Inter-Segment Eliminations and Other Unallocated 31 Dec 2012 $'000 Restated	Consolidated 31 Dec 2013 $'000	Consolidated 31 Dec 2012 $'000 Restated
Revenue										
Sales to external customers	**15,077**	12,719	**28,473**	55,752	**44,778**	9,072	**12,586**	12,392	**100,914**	89,935
Total Sales Revenue	**15,077**	12,719	**28,473**	55,752	**44,778**	9,072	**12,586**	12,392	**100,914**	89,935
Other income	**112**	161	**711**	182	**8**	30	**281**	46	**1,112**	419
Interest	**2,047**	2,224	**14**	-	**582**	-	**(558)**	(765)	**2,085**	1,459
Total revenue	**17,236**	15,104	**29,198**	55,934	**45,368**	9,102	**12,309**	11,673	**104,111**	91,813
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	**7,246**	(961)	**-**	-	**8,139**	-	**(105)**	411	**15,280**	(550)
Total	**24,482**	14,143	**29,198**	55,934	**53,507**	9,102	**12,204**	12,084	**119,391**	91,263
Corporate Overheads							**(5,984)**	(4,646)	**(5,984)**	(4,646)
Result before write-down in carrying value of inventories, depreciation, financing costs, interest and finance costs expensed through cost of sales and income tax expense	**15,489**	9,096	**4,843**	9,197	**13,107**	1,176	**(5,487)**	(3,913)	**27,952**	15,556
Write-down in carrying value of inventories and development costs			**(1,806)**						**(1,806)**	-
EBITDA (i)	**15,489**	9,096	**3,037**	9,197	**13,107**	1,176	**(5,487)**	(3,913)	**26,146**	15,556
Depreciation and amortisation	**(41)**	(180)	**(531)**	(413)	**(290)**	(87)	**(684)**	(654)	**(1,546)**	(1,334)
EBIT (ii)	**15,448**	8,916	**2,506**	8,784	**12,817**	1,089	**(6,171)**	(4,567)	**24,600**	14,222
Financing costs (includes interest and finance costs expensed through cost of sales)									**(9,634)**	(13,563)
Profit before income tax expense									**14,966**	659
Income tax expense									**(928)**	(264)
Profit for the half-year									**14,038**	395

(i) EBITDA: Earnings before interest (including interest and finance costs expensed through cost of sales) tax, depreciation and amortisation.

(ii) EBIT: Earnings before interest (including interest and finance costs expensed through cost of sales) and tax.

3. Revenue

	Consolidated	
	31 Dec 2013 $'000	31 Dec 2012 $'000 Restated
Revenue from ordinary activities		
Revenue from sale of land	**64,472**	68,770
Project management and performance fees	**18,532**	10,331
Revenue from Joint Venture operations	**14,071**	9,001
Syndicate and joint venture administration fees	**3,839**	1,833
	100,914	89,935
Other revenue		
Dividends	**112**	116
Interest	**2,085**	1,459
Other	**1,000**	303
	3,197	1,878

4. Profit before income tax

	Consolidated	
	31 Dec 2013 $'000	31 Dec 2012 $'000 Restated
Profit before income tax for the half-year includes the following specific expense items:		
Expenses		
Land and development cost expense		
Land and development cost expense	**56,640**	53,025
Capitalised interest and finance expense	**4,540**	9,425
Total land and development cost expense	**61,180**	62,450
Depreciation and Amortisation		
Property, plant and equipment	**1,438**	1,214
Intangible assets	**108**	120
Total depreciation and amortisation	**1,546**	1,334
Finance costs		
Interest and finance charges paid/payable	**12,943**	14,489
Interest on convertible notes	**2,861**	2,338
Amount capitalised to inventory	**(10,711)**	(12,689)
Total finance costs expensed	**5,094**	4,138
Discount on land vendor payments		
Change in present value of land vendor payments	**556**	1,121
Capitalisation of change in present value of land vendor payments	**(556)**	(1,121)
Total discount on land vendor payments	-	-

5. Income tax

	Consolidated	
	31 Dec 2013 $'000	31 Dec 2012 $'000 Restated
(a) Income tax expense		
Current tax	**-**	645
Deferred tax	**888**	(331)
Adjustments for income tax of prior periods	**40**	(50)
	928	264
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**14,966**	659
Tax at the Australian tax rate of 30% (2012 - 30%)	**4,490**	198
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net (profit)/loss of associates and joint ventures	**(1,340)**	166
Employee benefits	**502**	182
Rebateable dividends	**(3,010)**	(237)
Sundry items	**246**	5
Under/(over) provision in prior years	**40**	(50)
	928	264

6. Dividends

(a) Dividends paid
No dividends were provided or paid during the half-year ended 31 December 2013 (31 December 2012: Nil).

(b) Dividend Reinvestment Plan (DRP)
The Company operates a Dividend Reinvestment Plan (DRP) that provides shareholders with an opportunity to acquire additional shares in the Company on the payment of dividends.

7. Borrowings

	Consolidated	
	31 Dec 2013 $'000	30 Jun 2013 $'000 Restated
Current		
Bank loan facilities	**20,638**	49,943
Other loans	**602**	826
Other loan facilities from equity accounted investee	**25,297**	35,164
	46,537	85,933
Non- current		
Bank loan facilities	**238,602**	187,561
Other loans	**626**	850
Convertible Notes	**47,107**	46,643
	286,335	235,054

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

	31 Dec 2013 $'000	30 Jun 2013 $'000 Restated
Total facilities		
Bank loan facilities	**347,376**	382,436
Bank guarantees	**33,462**	32,650
Credit cards	**75**	102
Surety bond facility	**30,000**	35,000
Other loan facilities from equity accounted investee	**36,600**	36,600
	447,513	486,788
Used at balance date		
Bank loan facilities	**260,468**	239,180
Bank guarantees	**15,248**	25,798
Credit cards	**15**	23
Surety bond facility	**11,985**	3,679
Other loan facilities from equity accounted investee	**25,297**	35,164
	313,013	303,844
Unused at balance date		
Bank loan facilities	**86,908**	143,256
Bank guarantees	**18,214**	6,852
Credit cards	**60**	79
Surety bond facility	**18,015**	31,321
Other loan facilities from equity accounted investee	**11,303**	1,436
	134,500	182,944

8. Contributed equity

	Consolidated		Consolidated	
	31 Dec 2013	30 Jun 2013	**31 Dec 2013**	30 Jun 2013
Ordinary shares	**Shares**	Shares	**$'000**	$'000
Opening Balance	**429,008,507**	320,170,604	**325,193**	203,713
Capital Raising	**2,978,261**	-	**3,424**	-
Vested performance rights	**1,402,580**	842,537	**-**	-
Institutional placement	-	101,038,844	**-**	116,195
Conditional placement	-	6,956,522	**-**	8,000
Less: Transaction costs arising on placements	-	-	**(11)**	(3,879)
Deferred tax credit recognised directly in equity	**-**	-	**3**	1,164
	433,389,348	429,008,507	**328,609**	325,193

9. Earnings per share

	Consolidated	
	31 Dec 2013	31 Dec 2012 Restated
	Cents	Cents
Basic earnings per share	**3.1**	0.3
Diluted earnings per share	**3.1**	0.3

(a) Reconciliation of earnings used in calculating earnings per share	**$'000**	$'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holder of the company used in calculating basic and diluted earnings per share	**13,224**	1,020
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**432,607,648**	320,779,612
Adjustments for calculation of diluted earnings per share:		
Options	**-**	1,200,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**432,607,648**	321,979,612

10. 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	
	31 Dec 2013 $'000	30 Jun 2013 $'000 Restated
Underwriting obligations outstanding	**-**	197
Bank guarantees outstanding	**27,233**	29,477
	27,233	29,674

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.

11. Financial instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2013:

	Consolidated		
	Loans and receivables $'000	Available-for sale $'000	Fair value other comprehensive income $'000
Financial assets:			
Receivables (excluding prepayments)	40,242	-	-
Total current	40,242	-	-
Other receivables (excluding prepayments)	17,737	-	-
Equity instruments	-	107	-
Total non-current	17,737	107	-
Total	57,979	107	-
Financial liabilities:			
Interest bearing loans and borrowings	46,537	-	-
Land vendor liabilities	11,637	-	-
Payables	44,053	-	-
Derivative financial instruments	-	-	709
Total current	102,227	-	709
Interest bearing loans and borrowings	286,335	-	-
Land vendor liabilities	15,666	-	-
Payables	194	-	-
Derivative financial instruments	-	-	3,619
Total non-current	302,195	-	3,619
Total	404,422	-	4,328

Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* 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).

11 Financial instruments (continued)

Recognised Fair value measurements

The following tables present the Group's assets and liabilities measured and recognised at fair value at 31 December 2013.

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 31 December 2013				
Assets				
Available for sale financial assets	-	-	107	107
Total assets	**-**	**-**	**107**	**107**
Liabilities				
Derivative financial instruments	-	4,328	-	4,328
Total liabilities	**-**	**4,328**	**-**	**4,328**

Any change in level 3 instruments relating to fair value adjustments would be recognised in the statement of comprehensive income.

For financial instruments not quoted in active markets, the Group 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 observable market inputs to the extent available. These instruments are included in level 2.

Fair value disclosures

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

Peet Limited issued 500,000 convertible notes at a face value of $100 per note for $50 million on 16 June 2011. The notes are convertible into ordinary shares of Peet Limited, at the option of the holder, or repayable on 16 June 2016. The conversion rate is 44.44 shares for each note held, which is based on a fixed conversion price of $2.25 (subject to adjustment for certain dilutionary and other capital transactions). The quoted market value (on ASX) of a convertible note as at 31 December 2013 is $103.90. At 31 December 2013, the carrying value of the Convertible note debt is $47 million.

12. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to the half-year end that has 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 half-years.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 23 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 consolidated entity's financial position as at 31 December 2013 and of its performance for the halfyear 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

27 February 2014

Building a better working world

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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 statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of 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 summary 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 2013 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 2013 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

Peter McIver

P McIver
Partner
Perth
27 February 2014