ANNUAL REPORT 2016

PEET

The Heights, Durack, NT

ANNUAL REPORT 2016

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Cover image – Lightsview, SA

Business OVERVIEW

The Peet Group leverages its pipeline of more than 48,000 lots worth $12.0 billion, located in every mainland state and territory of Australia, to deliver opportunities for our customers, investors and development partners.

We seek to create long-term value and optimal returns to shareholders through strategic acquisitions and responsible, innovative development, undertaken predominantly under a capital-efficient funds management model.

Our activities include adding value to our communities with the delivery of medium-density housing, and the delivery and/or facilitation of shopping centres, schools, medical centres, pharmacies, childcare centres and other local services in some estates.

The Group invests in other community infrastructure that helps create a sense of identity and place for residents in our estates – parks, playgrounds and iconic pieces of public art that make each community unique.

Our joint venture and co-investment partners include State and Federal Government agencies and major Australian institutions. These are in addition to our syndicate and company investors.

Our development and marketing activities are underpinned by a sound governance framework, strong management, a breadth of business skills and modern project management systems and procedures.

The Peet Group employs approximately 245 people in offices throughout mainland Australia. We have in-house expertise in a range of relevant disciplines and also draw on the specialist expertise of highly qualified and experienced consultants as required for each project.

Our wide variety of projects reflect the skills and experience of the Group and demonstrate the commitment to innovation and excellence that drives the entire team, and a strong understanding of, and connection to, our core markets.

The Group has achieved another uplift in profit in the 2016 financial year and has moved into the 2017 financial year with solid momentum underpinned by a record number of contracts on hand.

Peet has a strong balance sheet and a diversified portfolio of residential development landholdings that is being managed to achieve optimal shareholder returns.

PEET VALUES

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

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

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

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

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

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

Burns Beach, WA

Performance AT A GLANCE

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

2 Includes equivalent lots. Excludes Arena englobo sale.

3 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $16.7 million (FY15: $6.4 million).

HIGHLIGHTS

OPERATING AND STATUTORY PROFIT[1] AFTER TAX OF
$42.6 million

3 NEW STRATEGIC ACQUISITIONS

TOTAL LOTS SETTLED
2,865

TOTAL LOTS SOLD
3,253

RECORD
2,426
contracts on hand[2]
as at 30 June 2016

Earnings of
8.7c
per share

REVENUE OF
$285 MILLION

Dividends of
4.5c
per share, fully franked

Net EBITDA[3] margin of
32%

	30.06.16 $'000	30.06.15 $'000	30.06.14 $'000
Statutory profit for the year attributable to the owners of Peet Limited	42,592	38,460	30,291
ADJUSTING ITEMS			
Write-down in carrying value of inventories and development costs	–	–	1,806
Tax effect of adjusting items	–	–	(542)
Operating profit after tax	42,592	38,460	31,555

OPERATING PROFIT AFTER TAX ($M)

11%

FY14: 31.6 | FY15: 38.5 | **FY16: 42.6**

DIVIDENDS (CPS)

STEADY

FY16: 4.5
FY15: 4.5
FY14: 3.5

OPERATING EPS (CPS)

5%

FY14: 7.3 | FY15: 8.3 | **FY16: 8.7**

EBITDA ($M)

3%

FY14: 73.7 | FY15: 92.4 | **FY16: 89.8**

NET EBITDA MARGIN (%)

6%

FY14: 25 | FY15: 26 | **FY16: 32**

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. It 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.

Statutory profit measures profit in accordance with Australian Accounting Standards.

The Avenue Estate, WA

Chairman's REVIEW

On behalf of the Board of Peet Limited, I present to you our 2016 Annual Report.

The Australian property market again delivered variable conditions with continued weak conditions prevailing in Western Australia and the Northern Territory, countered by much better performing markets on the east coast, particularly in Victoria, New South Wales and the Australian Capital Territory.

The benefits of the Peet Group's diversified portfolio, strategically weighted to the east coast, was evidenced. We were pleased to add to the pipeline with the purchase of the Whole Green estate in Melbourne's western corridor, and a second partnership with the South Australian Government at Tonsley, a precinct being redeveloped around 10 kilometres from the Adelaide CBD for innovative industry, healthcare and research purposes, as well as residential.

Peet also entered into a conditional agreement with the University of Canberra for the proposed residential development of approximately 3,300 dwellings with an expected gross development value in the order of $1.7 billion. This project will draw on Peet's significant capability in the development of masterplanned communities including medium-density housing opportunities.

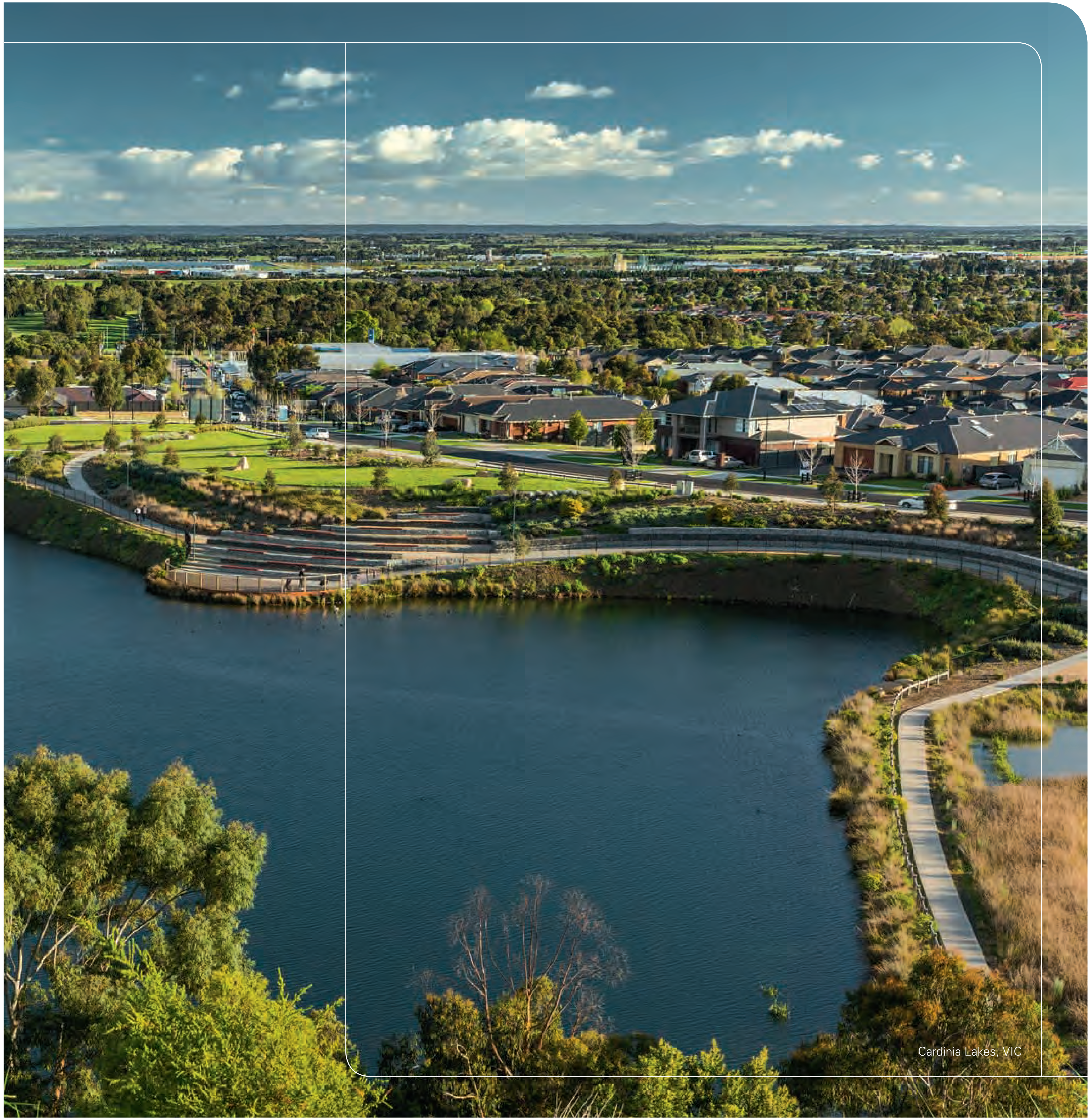
Following the end of the financial year, the Peet Group also welcomed a new wholesale/institutional partner in the Thai-listed real estate developer, Supalai Public Company.

Peet will act as the development manager for the wholesale fund formed with Supalai Public Company, which acquired a residential estate in Redbank Plains, some 28 kilometres south-west of Brisbane. The project is expected to be developed over six years, with completion expected in late 2022.

Early in the financial year, the Group successfully sold a property at Greenvale in Melbourne's north for $93.1 million, which was significantly above market value NTA per share and enables us to redeploy funds into lower-cost base acquisitions.

A number of other projects were successfully completed, including Cardinia Lakes in Victoria and Warner Lakes in Queensland.

Peet's ability to adapt and leverage its Funds Management business model to achieve acquisitions and development opportunities that strengthen our portfolio and complement our Development projects is a core strength on which we will continue to build in the years ahead.



Cardinia Lakes, VIC

We will also continue to expand our expertise in innovative, medium-density development and I am pleased to report that, following the conclusion of the financial year, the Invita Apartment development within The Village at Wellard in Western Australia was named the best Medium Density Development in that state by the Urban Development Institute of Australia (which followed the national award for Best Affordable Development in 2015). The Village at Wellard (a joint venture with the Western Australian Housing Authority) was also recognised in the 2016 awards for excellence in the important Sustainable Development category.

Awards are a useful way to benchmark our work, confirm the quality of residential communities being delivered across the country and encourage us to continue to innovate and strive for excellence in every aspect of our operational performance.

The Year Ahead

Peet is well prepared to manage through continuing mixed property sector conditions, impacted also by a level of global uncertainty and tightening financial markets here in Australia.

The Group has the majority of its 48,000-lot land bank in various stages of planning and development, with a focus on the production of a wide variety of homesites and housing opportunities to meet the demand of new Australian homebuyers at every age and stage of life.

While a number of projects are scheduled for completion in the year ahead, depending on market conditions, up to four new projects will be commencing development and/or sales in FY17. We look forward to maximising the returns on those and all our projects for the benefit of our shareholders, investors and partners.

Dividends

The Directors were pleased to declare a final dividend for the 2016 financial year of 2.75 cents per share, fully franked. That brought the total dividend for the 2016 financial year to 4.5 cents per share, fully franked, which is in line with the FY15 dividend and the 50% payout ratio, as the Group focuses on targeting the lower end of its target gearing range.

Conclusion

The Peet Group is exceptionally well served by an experienced Board and a talented and committed management team led by Managing Director and Chief Executive Officer, Brendan Gore.

I take this opportunity to express my appreciation to my fellow Directors, who have applied themselves diligently throughout the year and provided wise counsel and strategic direction as required.

I also pay tribute to Brendan Gore and the senior executive and leadership group who demonstrate expertise and energy in the delivery of a wide variety of residential communities across Australia.

The breadth and range of our projects delivers huge choice to homebuyers and our emphasis on the affordable market segment means that the aspiration of home ownership can be a reality for more and more Australians every year.

That is a source of immense satisfaction and motivates everyone at Peet to continue in our commitment to excellence in residential development.

Striving for excellence and challenging ourselves to continuously improve what we offer homebuyers and our residents is also how we work to achieve the best possible results for our company and syndicate investors, and our co-investment partners. I thank them for their ongoing confidence in Peet.

Peet Limited has entered the new financial year with vigour and good momentum, and I look forward to the Group responding to the challenges and maximising the opportunities of FY17 in the best interests of our investors, partners and residents.

Tony Lennon
Chairman

12 October 2016

> **“Peet is a proud Australian company targeting the delivery of optimal returns to shareholders, syndicate investors and co-investment partners – and opportunities for a new generation of homebuyers.”**

Avon Ridge, WA


Golden Bay, WA

Managing Director AND CEO'S REVIEW

The 2016 financial year has been an important one for the Peet Group – a year of consolidation and growth underpinned by the continuing implementation of our business strategies and the strength of our diverse land bank.

The Group has achieved pleasing results, continuing to improve its overall performance and positioning itself for future growth with selective, strategic acquisitions and divestments to rebalance the pipeline as appropriate opportunities arise in the right market conditions.

The improvement in performance and increase in profit to $42.6 million was particularly pleasing given the weaker market conditions in Western Australia and the Northern Territory and our lack of exposure to the strong Sydney market, which continued to out-perform the rest of the country. The Melbourne property market was also very strong throughout FY16 and Peet has benefited from its exposure to this market, and added to its Victorian portfolio with another acquisition during the year.

The Group achieved revenue of $284.8 million with 2,865 lots settled. While EBITDA was down by just 3% to $89.8 million, the EBITDA margin increased 6% to 32%. This improvement was driven by the strong demand across the Victorian portfolio, as well as the continued focus on operational efficiencies.

We have entered the new financial year with continued strong momentum, with a record number of contracts on hand – 2,426 lots valued at $546 million, which represents an increase of 18% and 24% respectively, compared with 30 June 2015.

The Group continued to generate solid operating cash flows, with a net operating cash flow (before land acquisitions) in FY16 of $67 million and our cash interest cover remained strong at 4.3 times. During the year, Peet also completed a $100 million Bond issue to refinance our convertible notes, diversify the Group's debt capital structure and to support our growth objectives for the future.

The Group ended the year with total net debt of $194 million (increased due to the acquisition of the Whole Green land parcel in Victoria in December 2015), though with a lower cost of debt due to the repayment of convertible notes and the expiry of hedges. Our gearing stood at 28.8%, which was within our target range of 20-30% and, given the current tightening lending environment, we will target gearing at the lower end of this range.

Peet's diversified portfolio of projects has allowed us to capitalise on the strength of eastern states' projects, with the contribution from eastern states' projects increasing to 82% of EBITDA, compared with 68% in the previous year. Additionally, our emphasis on a capital-efficient funds management model was also evidenced by the fact that approximately 60% of the Group's EBITDA was derived from the Funds Management and Joint Venture businesses.

Seven new projects commenced selling in FY16, contributing to a total of more than 3,250 owned and managed lots sold, with a gross value of more than $908 million. There were 2,865 lots settled during the year with a gross value of $757 million.

Up to another four projects, three of which are on the east coast, will move into the sales phase in the year ahead.

The Group's strategic partnerships are fundamental to its strength and success. In FY16, highlights included the South Australian Government's decision to partner with Peet for the development of 850 new homes at Tonsley, an urban renewal project and centre of innovation for industry in Adelaide; and the signing of a conditional agreement with the University of Canberra for the establishment of an innovative residential community with 3,300 new dwellings.

Peet is also very proud to be continuing our work with a range of other valued partners including the Western Australian Housing Authority (The Village at Wellard and Golden Bay in WA) and MTAA Super (Shorehaven at Alkimos in WA and Flagstone in Queensland).

In total, the Peet Group added three new projects or approximately 3,700 lots/dwellings to the portfolio, bringing the number of lots under management at year-end to more than 48,000, with the majority located in Australia's eastern states.

Approximately 80% of those lots are expected to be in development by the end of FY17, as we continue to leverage our considerable pipeline to optimise returns, restocking as and when appropriate, with a focus on low-cost projects which will allow us to ensure the delivery of affordable product to a new generation of homebuyers.

> **"Peet has moved into the 2017 financial year with good momentum, a strong balance sheet and a number of new projects moving into development."**

This year, we were again pleased to offer investors the opportunity to invest in a Peet land syndicate with the launch of the Peet Werribee Syndicate. The response was particularly encouraging, with the $25 million syndicate offer closing over-subscribed with an increase in applications from new investors, predominantly from the eastern states, which further strengthened the Group's retail investor base.

We will continue to identify opportunities to expand our Funds Management business through additional strategic partnerships and further retail syndicates designed to appeal to our existing investor base and new entrants to this form of property investment in which Peet has been an Australian pioneer.

Acacia, VIC

Group Strategy

The Group will continue to target the delivery of shareholder value and quality residential communities around Australia by leveraging its 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, with a focus on affordable product.

Key elements of the Group's strategy for the year ahead 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 more than 48,000 lots to achieve optimal shareholder returns;
- continuing to assess opportunities to selectively acquire 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; and
- maintaining a focus on cost and debt reduction.

Subsequent to year-end, Peet announced the establishment of a new wholesale fund between Peet and Supalai Public Company, a real estate developer listed on the Thailand stock exchange, with each being 50% co-investors. Peet will act as the development manager for the fund, which has acquired a 1,100-lot residential estate in Redbank Plains, Queensland. The project is expected to be developed over six years with completion in late 2022, and complements the recent launch of Peet's Flagstone City project.

Outlook

The Group's portfolio of residential development landholdings is well-positioned for sustainable long-term growth and value creation. The outlook is generally supported by market fundamentals with sustained low interest rates and modest economic growth.

The growth in the metropolitan Melbourne market is expected to remain strong with ongoing population growth, relative affordability and a solid economy supporting demand. In Brisbane, market demand remains steady, supported by affordable prices and improving economic fundamentals, which have been a factor in the recovery in interstate migration.

The Sydney and Canberra markets are expected to perform well, supported by pent-up demand and improved economic conditions, though price growth is expected to moderate.

Conditions in Western Australia and the Northern Territory are expected to remain subdued through the 2017 calendar year, with both economies in a period of transition. Peet is well-positioned to meet continuing demand for affordable product in those markets.

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

The continued performance of Peet is made possible by a dedicated and hard-working team spread around the country, who work diligently on behalf of our investors, partners and residents, and live out our values of integrity, teamwork, accountability, adaptability, respect and customer service.

I also thank the Board and members of Peet Limited for their continued valuable support during the year.


Invita Apartments, WA

Everyone at Peet is aware of the challenges that lie ahead, and highly motivated by the opportunities that are before us now and that will emerge in the months and years ahead. We build on the rich traditions of Peet with a business model and strategies that are proven in the context of Australia's current, dynamic property markets – and in the year ahead we will continue to leverage the strength of our assets and our people to deliver the best possible results.

Brendan Gore
Managing Director and Chief Executive Officer

12 October 2016

Operating and FINANCIAL REVIEW

HIGHLIGHTS

$284.8 MILLION
GROUP REVENUE

EBITDA[4] OF
$89.8 MILLION

2,865 lots settled for a gross value of $757.1 MILLION

Record 2,426 contracts[5] on hand as at 30 June 2016 with a gross value of more than $545.7 MILLION

The Peet Group achieved pleasing results for FY16 in a year of variable market conditions. An operating profit and statutory profit after tax of $42.6 million was achieved for the year ended 30 June 2016, which represented an increase of 11% on FY15.

The result reflected the strong performance from the Group's key east coast markets, in particular Victoria and ACT/New South Wales.

The increase in profit was achieved despite lower revenues resulting from the completion of the Quayside apartment project in the ACT and The Chimes residential land project in Western Australia in FY15; the weak market conditions across Western Australia and the Northern Territory; and despite the Group not having any exposure to the strong Sydney market.

4 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $16.7 million (FY15: $6.4 million).

5 Includes equivalent lots. Excludes Arena englobo sale.

"The Group moved into FY17 with a record 2,426 contracts on hand at 30 June 2016."

Quarters, VIC

The increase in profit was supported by an improved EBITDA margin, which increased by 6%. Price growth backed by strong demand across the Victorian land portfolio, as well as the Group's continued focus on operational efficiencies, were key contributing factors.

The performance resulted in earnings per share of 8.7 cents for the year ended 30 June 2016, compared to 8.3 cents per share for FY15, representing an increase of 5%.

The Group achieved 3,253 sales (with a gross value of $908.8 million) and 2,865 settlements (with a gross value of $757.1 million) for the full year. This represented an increase of 1% and a decrease of 12% respectively compared with FY15.

The lower settlements reflected, in part, continuing challenging conditions in the Western Australian and Northern Territory property markets; the completion of highly successful syndicated projects (Warner Lakes in Queensland and Kingsford at Point Cook in Victoria); and the Quayside apartment Development project in the ACT. These factors were partially offset by the continued strong performance of projects in the eastern states.

Approximately 55% of the Group's settlements were achieved in the second half of FY16 and it moved into the 2017 financial year with solid momentum, with a record 2,426 contracts on hand at 30 June 2016 with a gross value of $545.7 million. This compares with 2,061 contracts on hand with a gross value of $440.9 million at 30 June 2015. These increases are predominantly attributable to the strong sales performance in the eastern states' Funds Management projects.

Risk Management

The Group recognises and invests appropriately to ensure it has the systems, skills and processes in place to manage the key risks to its activities. Operating and financial performance is influenced by a number of risks impacting the property sector. These include general economic conditions; government policy influencing a range of matters including population growth; household income and consumer confidence; the employment market; and land development conditions and requirements, particularly in relation to infrastructure and environmental management.

> **"Peet continues to expand its land bank with strategic acquisitions made predominantly under its capital-efficient funds management model."**

Global and domestic economic factors which may influence capital markets and the movement of interest rates are also risks faced by the Group. The property market is cyclical and, while the Group is impacted by fluctuations in the market, it has also proved its capacity to manage through various cycles over a very significant period of time. At an individual project level, residential property developments also face a number of risks related to the price and availability of capital, the timeliness of approvals, delays in construction, and the level of competition in the market.

Even though Peet is well capitalised, given the current tightening lending environment, Peet has considered it prudent to target gearing at the lower end of its target range of 20–30%. While the actual gearing may rise above the target range to fund acquisition opportunities, the Group's preference for acquisition through its co-investment funds management model is expected to see gearing revert back to within the target range in the short-to-medium term.

During the year the Group's funding risk was mitigated with the issue of $100 million in five-year Peet Bonds.

Peet has a long history of managing risks at an individual project and portfolio level and continued to do so during the past year.

Project Portfolio

The Peet Group has a diversified land bank located in the growth corridors in every mainland state and territory. The diversity is both geographic and across our Funds Management, Joint Venture and Development businesses, and enables Peet to manage the variable market conditions around the country.

Peet manages and markets high-quality residential projects, often on behalf of syndicate, joint venture or co-investment partners. The Group's emphasis is on larger, masterplanned community projects, underpinning future cash flows and performance.

In FY16, the strength of the Group's east coast projects, and its Victorian projects in particular, offset the comparatively poor performance of its projects in the weaker Western Australian and Northern Territory markets.

As at 30 June 2016, the Group's total land bank was approximately 48,000 lot equivalents, with an estimated on-completion value of approximately $12 billion, strategically weighted (60% of total lots) to the eastern states and with more than 70% of all lots within the Funds Management and Joint Venture businesses.

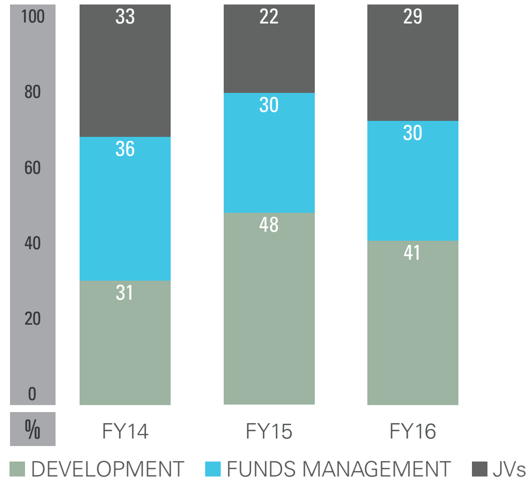
During FY16, the Group secured three new projects – Whole Green in Tarneit, Victoria; Redbank Plains, Queensland; and Tonsley, just 10 kilometres from the Adelaide CBD in South Australia. These projects comprise approximately 3,700 lots/dwellings with a gross development value of circa $930 million. The Tarneit and Redbank Plains projects were already in development at the time of acquisition and are expected to contribute to FY17 earnings. Redbank Plains and Tonsley were secured under Peet's Funds Management platform.

Peet also announced during the year that it had entered into a conditional agreement with the University of Canberra for the proposed development of approximately 3,300 dwellings with an expected gross development value of circa $1.7 billion.

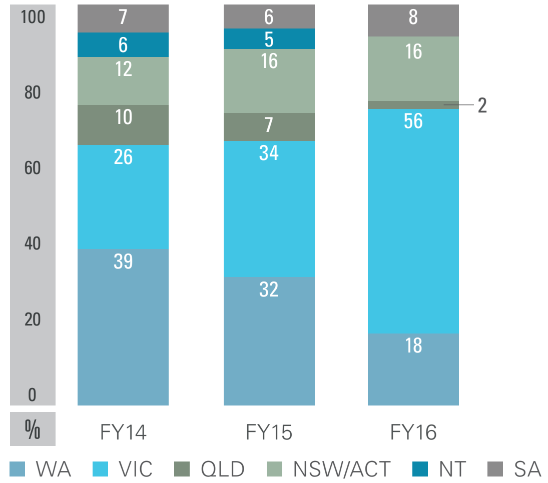
In line with its strategy of managing its pipeline of projects with a focus on maximising return on capital, Peet sold its Arena, Greenvale project in Victoria, in August 2015, with the sales proceeds to be redeployed into lower-cost base acquisitions.

The Group also completed the syndication of its latest retail land development syndicate. The $25 million syndication of a parcel of land in Werribee, Victoria, via Peet Werribee Land Syndicate, was closed oversubscribed and, since 30 June 2016, the first sales of lots at the Syndicate's Cornerstone, Werribee estate have been achieved.

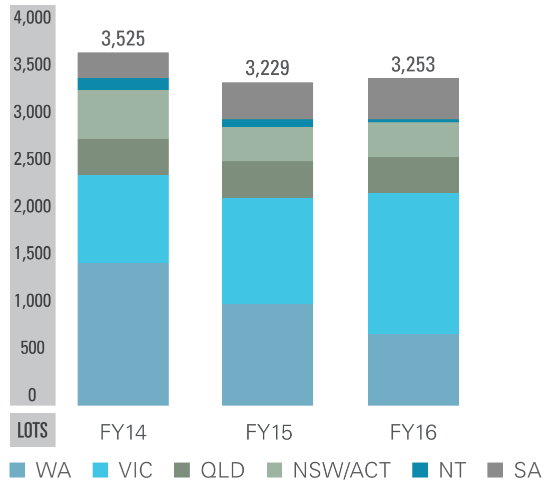
EBITDA[6] COMPOSITION BY BUSINESS TYPE (%)



EBITDA[6] COMPOSITION BY GEOGRAPHY (%)

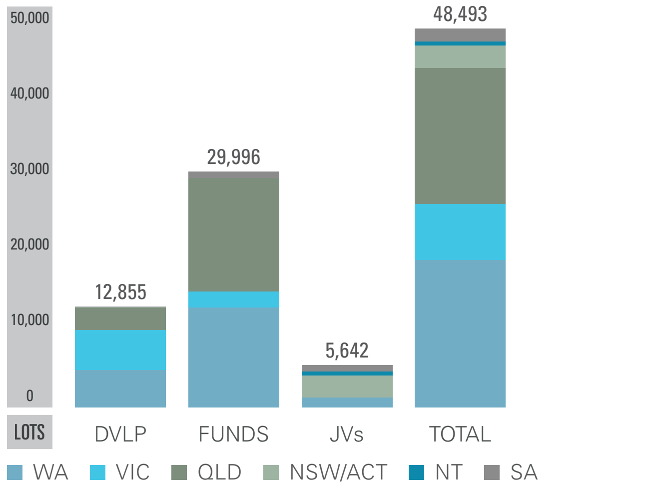


SALES COMPOSITION BY GEOGRAPHY (LOTS)

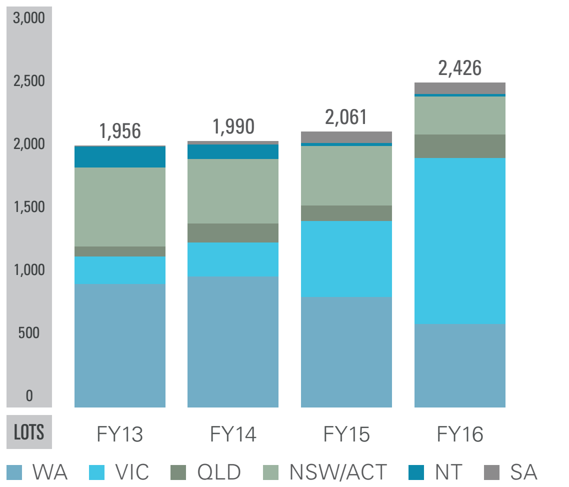


6 Includes effects of non-cash movements in investments in associates and joint ventures.

LAND BANK COMPOSITION BY BUSINESS TYPE (LOTS[7])



CONTRACTS ON HAND BY GEOGRAPHY (LOTS[8])



Capital Management

In the second half of FY16, Peet issued $100 million in new unsecured Peet Bonds, with a maturity date of June 2021, and announced the extension of its senior syndicated debt facility to October 2019.

The funds raised under the Peet Bonds were used to refinance the Peet Convertible Notes issued in 2011 and to diversify Peet's debt capital structure to further strengthen the Peet Group's balance sheet and to further support its growth objectives.

The Peet Bonds also increased the weighted average maturity of the Group's borrowings from 2.0 years as at 30 June 2015 to 3.7 years as at 30 June 2016.

The Group's interest-bearing debt (including Peet Bonds) stood at $266.9 million at 30 June 2016, compared with $234.9 million at 30 June 2015. Approximately 84% of the Group's interest-bearing debt was fixed/hedged as at 30 June 2016 (2015: 51%).

While the Group's interest-bearing debt increased during the year as a result of the Whole Green, Tarneit acquisition, it has maintained its focus on prudent capital management, with gearing of 28.8% as at 30 June 2016, compared to 30.6% at the half year.

Peet is well capitalised; however, given the current tightening lending environment, considered it prudent to target gearing at the lower end of its target range of 20–30%. While gearing may rise above the target range to fund acquisition opportunities, the Group's preference for acquisitions through its co-investment funds management model is expected to see gearing revert back to within the target range in the short-to-medium term.

The Group had net cash and debt headroom of $96.8 million at 30 June 2016 and produced net operating cash flows of $67 million (before land payments) during the year. Net operating cash flows were impacted during the year by the fall in settlements across the Western Australian and Northern Territory projects and the delay in approximately $15 million of settlements from the Whole Green, Tarneit project in Victoria into July 2016.

Dividend Payments

Subsequent to year-end, the Directors declared a final dividend for FY16 of 2.75 cents per share, fully franked. This brought the total dividend for FY16 to 4.5 cents per share fully franked – in line with the FY15 dividend and the 50% payout ratio, as the Group focuses on targeting the lower end of its target gearing range.

The dividend is to be paid on 14 October 2016, with a record date of 30 September 2016.

The Directors also resolved to keep the Company's Dividend Reinvestment Plan deactivated.

FUNDS MANAGEMENT

HIGHLIGHTS

EBITDA[9] OF
$29.6 MILLION

NET EBITDA[9] MARGIN OF
68%

1,978 LOTS SOLD FOR A GROSS VALUE OF
$481.2 MILLION

1,508 LOTS SETTLED
FOR A GROSS VALUE OF **$376.7 MILLION**

1,510 contracts on hand[7] as at 30 June 2016 with a total value of
$314.7 MILLION

> **"The Group's Funds Management business continued to perform well and Peet's latest syndicate closed over-subscribed."**

FUNDS MANAGEMENT

The Peet Group manages and markets residential developments on behalf of land syndicates and under project management and co-investment arrangements. The Group's Funds Management business performed solidly in FY16, with the strong performance of projects in the Victorian market more than offsetting the performance of projects in the weaker Western Australian market and the completion of highly successful syndicates in Victoria and Queensland in FY15.

During FY16, the Funds Management business contributed 30% of the Group's EBITDA .

Fee revenue for the year increased by 8% over the previous year to $41.8 million and the EBITDA margin of 68% remained in line with that achieved in FY15 (69%).

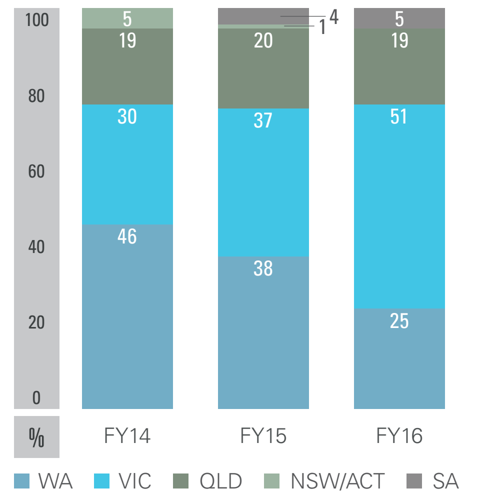
There were 1,978 sales during the year, representing an increase of 12% over the previous year, for a gross value of $481.2 million. There were more than 1,500 settlements, 12% fewer than FY15, for a gross value of $376.7 million.

The $25 million syndication of a parcel of land in Werribee, Victoria, closed over-subscribed during the year, and marketing and sales of lots at the syndicate's Cornerstone estate have commenced.

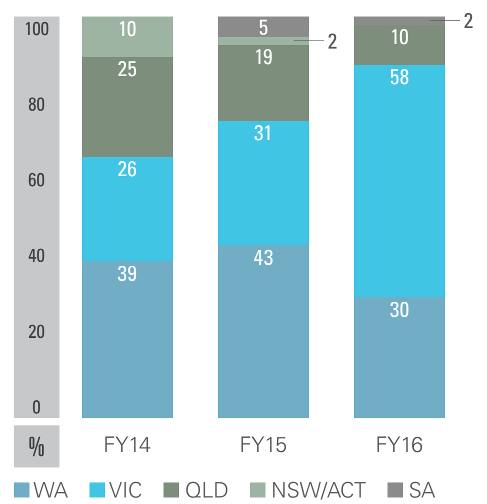
The Funds Management portfolio comprises almost 30,000 lots – or approximately 62% of the Group's total portfolio – with an on-completion value of almost $8 billion.

Of the up to eight projects expected to commence development within the next three years, approximately 75% of the lots are in projects within the Funds Management/Joint Venture portfolio and spread across Victoria, Queensland and Western Australia.

FM SALES COMPOSITION BY GEOGRAPHY (LOTS[7])



FM EBITDA[9] COMPOSITION BY GEOGRAPHY



7 Includes equivalent lots.

8 Includes equivalent lots. Excludes Arena englobo sale.

9 Includes effects of non-cash movements in investments in associates.

JOINT VENTURES

HIGHLIGHTS

EBITDA[10] OF
$28.3 MILLION

NET EBITDA[10] MARGIN OF
40%

712 LOTS SOLD FOR A GROSS VALUE OF
$172.0 MILLION

940 LOTS SETTLED
FOR A GROSS VALUE OF **$218.3 MILLION**

428 contracts on hand[11] as at 30 June 2016 with a total value of
$114.6 MILLION

Googong, NSW

JOINT VENTURES

The Peet Group has a number of Joint Venture projects across its portfolio, including The Village at Wellard and Golden Bay in Western Australia, Googong in New South Wales and Lightsview in South Australia.

The increased contribution from the Group's Joint Venture business in FY16 is predominantly due to the strong performances of the Googong and Lightsview projects more than offsetting the reduced contributions from The Village at Wellard and The Heights, Durack in the Northern Territory.

10 Includes effects of non-cash movements in investments in joint ventures.

11 Includes equivalent lots.


The Village at Wellard, WA

12 Includes effects of non-cash movements in investments in joint ventures.

13 Includes super lots.

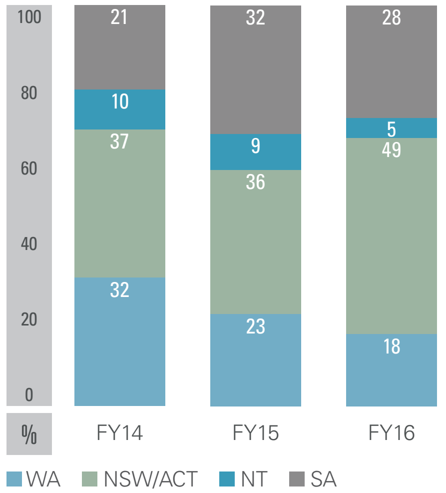
14 Includes equivalent lots and excludes Arena englobo sale.

In the 2016 financial year, the contribution from Joint Ventures (before equity share of profits) was down 23% to $12.9 million due to market conditions in the Northern Territory and Western Australia. However, the share of equity accounted profits was up 228% to $15.4 million, predominantly due to the Googong and Lightsview projects.

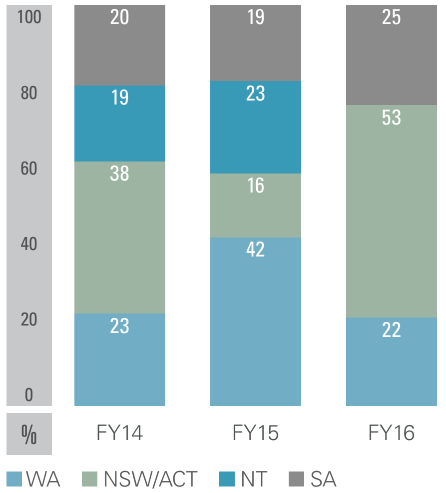
There were more than 700 sales across the Group's Joint Venture projects, representing a decrease of 19% compared to FY15, at a gross value of $172 million. A total of 940 lots were settled, which was just 11 lots fewer than in FY15, for a gross value of $218.3 million. EBITDA of $28.3 million was achieved from projects in this business segment and the EBITDA margin doubled from 20% in FY15 to 40% in FY16.

At 30 June 2016, there were 428 contracts on hand with a gross value of $114.6 million. This was 36% fewer than at the same time in the previous year.

JV SALES COMPOSITION BY GEOGRAPHY (LOTS)



JV EBITDA[12] COMPOSITION BY GEOGRAPHY




Lightsview, SA

DEVELOPMENT PROJECTS

HIGHLIGHTS

EBITDA OF **$40.3 MILLION**

NET EBITDA MARGIN OF **26%**


Lattitude Lakelands, WA

563 LOTS[13] SOLD FOR A GROSS VALUE OF **$255.7 MILLION**

417 LOTS[13] SETTLED FOR A GROSS VALUE OF **$162.1 MILLION**

488 contracts on hand[14] as at 30 June 2016 with a total value of **$116.4 MILLION**

DEVELOPMENT PROJECTS

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

Almost 75% of sales across Development projects in FY16 came from our Victorian portfolio, with more than 560 sales achieved, which was 3% lower than in FY15.

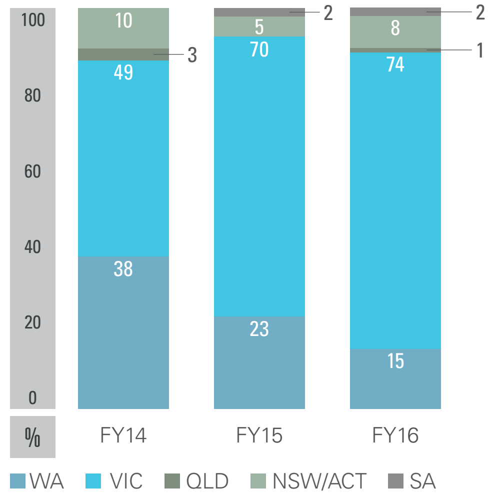
Revenue from Development projects for the year was $154.7 million, down from $186 million in FY15. This revenue was on the back of 417 settlements with a gross sales value of $162.1 million.

While the number of settlements was down 30% and EBITDA was 12% lower than in FY15, the EBITDA margin increased in FY16 to 26%, compared to 25% in FY15.

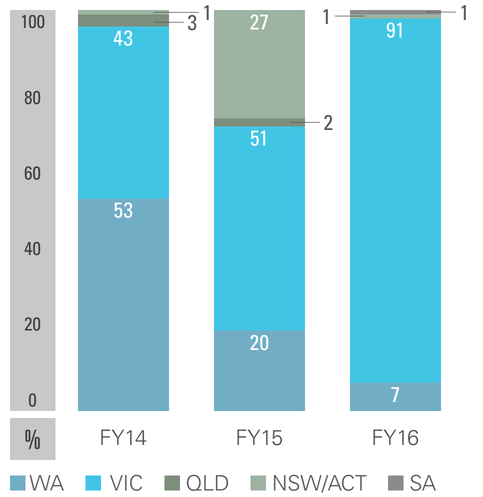
As at 30 June 2016, there were 488 contracts on hand with a gross value of $116.4 million, compared to 245 contracts on hand with a gross value of $58.7 million as at 30 June 2015.

At year-end, the Peet Group's Development projects comprised the equivalent of more than 12,850 lots, with an estimated on-completion value of more than $2.7 billion.

DEVELOPMENT SALES COMPOSITION BY GEOGRAPHY (LOTS[13])



DEVELOPMENT EBITDA COMPOSITION BY GEOGRAPHY




Aston, VIC

Flagstone City, QLD

"The fire pit is a wonderful asset to the college… to broaden the types of educational experience students get at our school. It's significant to us that local recycled timber is used as part of this project."

Mandurah Baptist College,
Deputy Principal Brendan Waddy

Lakelands Private Estate, WA

SUSTAINABILITY

At Peet, sustainable development is core to how we operate and all that we do. We strive to balance different, diverse and often competing needs with our social, economic and environmental objectives to drive growth and development around Australia.

We not only provide the infrastructure that creates and supports robust communities, such as village centres, schools, medical services, community centres and more, but we consider how our developments integrate with existing landscapes, communities and industries so our estates thrive – from inception through development to maturity.

As sustainability increasingly factors into homebuyers' decision making, Peet's approach to ensuring communities are well-located near services and transport; well-supported by amenities; well-priced; and well-presented with preserved and enhanced environmental features, ensures we are well-positioned to give homebuyers the options they seek, now and into the future.

In 2016, the breadth and depth of sustainable development practices in our estates was greater than it has ever been and we continued to work with partners and the community to embrace sustainability principles in practical ways.

HIGHLIGHTS DURING THE 2016 FINANCIAL YEAR INCLUDED:

FIRST LOTS RELEASED AT FLAGSTONE IN QLD, providing homebuyers with access to some of the most affordable suburban land in the country (priced from $322 a square metre) and attracting strong interest.

AT GOOGONG, NEAR CANBERRA an integrated water cycle management system was developed – with the potential to deliver potable water savings of around 63%. Over time, the system will recycle up to 80% of wastewater to maintain gardens, flush toilets and irrigate public parks and spaces. This will enable Googong's ultimate population of 18,000 people to only consume a quantity of water that is traditionally required for less than half of that population.

AT THE AVENUE IN WA an innovative 'living stream' – which enhances biodiversity and water quality in the region – was designed as part of the drainage system. Part of the Wungong Urban Water Masterplan, The Avenue is playing an important part in a broader, world-class environmentally sensitive urban design concept.

AT LAKELANDS PRIVATE ESTATE IN WA reclaimed tuart logs were milled and turned into seating around a new fire pit at Mandurah Baptist College. The fire pit was the brainchild of the school's Early Learning Centre, which wanted to create an area where students could gather and learn together in an outdoor setting to stimulate their thinking.

AT THE VILLAGE AT WELLARD IN WA one of Perth's finest natural wetlands received a boost through a community partnership with the Friends of Spectacles volunteers. Support was provided to help fund tools and equipment to assist in their work rehabilitating the site, which is home to the largest stand of paperbark trees in Perth.

A NEW COMMUNITY CENTRE WAS OPENED at The Heights, Durack in the NT by Peet, the City of Palmerston and Charles Darwin University, providing a social hub where residents and locals can gather and enjoy arts activities, community events and exhibitions. The centre provides a valuable resource for the entire neighbourhood to come together, bond and build a strong sense of community now and for decades to come.

AT SHOREHAVEN AT ALKIMOS IN WA, the first café opened to rave reviews in January 2016 – representing the first milestone in the delivery of a new, major commercial hub to serve Perth's growing northern coastal corridor. Construction of a new school also commenced, adding to the employment opportunities, services and amenities that will support this fast-growing area.

Community CONNECTIONS

To help communities establish a sense of pride and identity, Peet builds places and spaces where people want to visit and gather, and we create reasons for them to stay and enjoy those places together.

Our proactive community engagement program ranges from corporate support for major not-for-profits and community sporting events through to grass roots partnerships that help build community bonds and resilience over the long-term. This includes grants and events programs, and community engagement activities.

In 2016, Peet's program of events and celebrations, which aim to build a sense of belonging and give residents an opportunity to get to know their neighbours, continued – enhancing the networks and bonds that make Peet communities successful across Australia.

HIGHLIGHTS IN THE 2016 FINANCIAL YEAR INCLUDED:

RECORD PRICE ACHIEVED for the Rendition Cancer Prevention Home at Lightsview in SA as part of a partnership to raise funds for world-class cancer research and patient care initiatives made possible through the Flinders Medical Centre Foundation.

GRANTS to schools, clubs, residents' associations and not-for-profit organisations through the Peet Community Partnership Program (CPP), including the Queanbeyan Junior Cricket Club at Googong in NSW, Tarneit College's new teaching vegetable garden in Victoria and Safety House Kwinana in WA. Another notable partnership was between Yanchep Golf Estate in WA and Atlantis Productions to support the community production of the musical *Oliver*.

IN OUR 120TH YEAR, Peet committed $200,000 over three years to Australia's current and former defence personnel and their families. The first grants will be delivered to Legacy Australia and two emerging not-for-profits – Alongside and the Military Art Program. This commitment continues the legacy of founder, James Thomas Peet, who strongly supported defence personnel and their families.

BLUESTONE'S INAUGURAL BLUESFEST IN SA, where hundreds gathered at the Laver Street Reserve for an evening of blues music. The bill featured an eclectic line-up of some of Adelaide's leading blues, roots and folk musicians, as well as an impressive assortment of local food trucks which served up an array of gourmet treats.

AT FLAGSTONE IN QLD, a bike pump track opened with fanfare as BMX legend, Tim Wood, showed off the skills that took him to the top of the Australian ranks. Pump tracks have fast become a sensation in physical recreation and the custom-made track at Flagstone has proved popular with residents and visitors.

COMMUNITY PLANTING AT THE VILLAGE AT WELLARD in WA saw residents brave the rain to restore native bushland along a newly-opened boulevard. Led by the Homestead Ridge Progress Association and supported through The Village at Wellard Community Partnership Program, the event saw neighbouring communities come together to plant 300 native mature plants.

The Village at Wellard also hosted the Village Markets in 2016, which attracted thousands of visitors and more than 20 stall holders over the summer months.

Golden Bay, WA

The Village at Wellard, WA

Parks AND ART

Livingston, VIC

Peet creates places where people can create a fresh lifestyle – embracing the natural environment and building on those natural features to deliver special places for the people who live there.

Through parks, public open spaces, bushland areas and sporting precincts, we give people of all ages the chance to participate, celebrate and explore.

Every estate is different and our parks and open spaces reflect that individual style. Many feature unique public art that reflects the area's landscape, heritage and communities, which helps create a sense of place, ownership and community identity.

> **"The Megasaurus Park playground is wonderfully designed. My son and I had a great evening and it had a really good community feel to it."**
>
> ***Chanelle Christiansen***

HIGHLIGHTS IN THE 2016 FINANCIAL YEAR INCLUDED:

ALL-ABILITIES PLAYGROUND OPENED at Googong, near Canberra, to cater for children with disability. Lovegrove Park features the artwork of local students on totems around a fence line and includes custom-designed equipment such as slides and rides, and various tactile features are incorporated to ensure no child is excluded from the playground.

AT LAKELANDS PRIVATE ESTATE IN WA a new one-hectare park not only delivers a safe and fun play experience for residents of all ages but a natural habitat for native animals. Mature Jarrah trees were preserved to provide shade and hidey-spots for fauna and a fauna underpass was added to enable small native animals to travel between wetland areas within the estate.

THE MEGASAURUS PARK OPENING at Livingston in Victoria saw more than 400 people turn out to explore the impressive skeletal dinosaur climbing frame and gigantic zip line – a place of discovery and healthy activity for the young and young-at-heart. The park received wide-spread rave reviews.

AT GOLDEN BAY IN WA a mural was painted, by participants who spanned the generations, to enliven the walls at Foreshore Park. Hundreds of residents also attended the opening of a new landscaped park and football oval in May 2016. The rock climbing wall, climbing trees and fireman's pole lookout were a hit with the older kids, while the younger ones were delighted with the new sandpit, slide, tyre swing and percussion instruments.

A ONE-OF-A-KIND PLAYGROUND was constructed at The Village at Wellard in WA, setting new standards in playground design. The playground features a custom-designed skate park and BMX pump track, and a playground with a 7.3-metre-high climbing tower, trampoline pit, climbable dome, and kick-about area. The Village at Wellard also commissioned local artist, Bridget Norton, to construct a unique artwork, which was installed in August 2016. The artwork was a collaboration with the community and reflects the natural character of the locality.

Award Winning PERFORMANCE

Awards earned following the end of the financial year and in recent years include:

2016 UDIA (WA) Awards for Excellence Sustainable Urban Development – The Village at Wellard joint venture with the Western Australian Housing Authority delivers real diversity in the natural topography, lot configuration and housing stock. It is a true "village" that generates social, economic and environmental opportunities.

2016 UDIA (WA) Awards for Excellence Medium Density Development – Invita Apartments (Stage Two) joint venture with BGC Development have excellent architectural merit and a very affordable outcome and break the mould of traditional apartment living.

2016 UDIA (NSW) Awards for Excellence Southern NSW Regions & ACT Development – Googong North by AMC Architecture, Googong, developed jointly with Mirvac. The Googong North Village will provide a vibrant, neighbourhood hub for the growing community and will include apartments, a supermarket, childcare centre, café, gym and community centre.

Googong North also received a commendation in the Excellence in Environmental Technology and Sustainability category.

2016 Australian Marketing Institute (AMI) Award – Googong, near Canberra, for the marketing of the free live music event, Googfest. Googong won the ACT AMI Award in the experiential and brand experiences category and was shortlisted as a finalist in the national AMI Awards.

2015 UDIA National Awards for Excellence Affordable Development – Invita Apartments (Stage One) joint venture with BGC Residential at The Village at Wellard. The 36 apartments were affordably priced from $280,000 – 30% lower than Perth's median unit price – and built to impressive standards.

2015 UDIA (WA) Awards for Excellence Masterplanned Development – The Village at Wellard joint venture with the Western Australian Housing Authority is Perth's first purpose-built greenfields transit-oriented development on the southern suburbs railway offering affordable housing, a connected community and the convenience of its own shopping centre and retail precinct, café and community facilities.

Peet Limited participates in select awards programs that benchmark and recognise excellence in the planning, design, environmental management and development of vibrant, sustainable communities, and is proud to have earned a number of prestigious awards and recognitions over the years.

CORPORATE CALENDAR

30 September 2016
Record date for final FY16 dividend

14 October 2016
Payment date for final FY16 dividend

21 October 2016
Annual Report and notice of AGM dispatched to shareholders

23 November 2016
2016 AGM at the Parmelia Hilton Perth Hotel, Mill Street, Perth, WA at 10.00am (WST)

16 December 2016
Interest payment date for Peet Bond holders

February 2017
Release of results for the half year ending 31 December 2016

16 June 2017
Interest payment date for Peet Bond holders

Shorehaven at Alkimos, WA

Contents

Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Peet Limited ('the Parent Entity' or 'the Company') and the entities it controlled at the end of, or during, the financial year ended 30 June 2016 ('the Group').

1. DIRECTORS

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

TONY LENNON
FAICD

NON-EXECUTIVE CHAIRMAN

Tony Lennon has extensive commercial experience particularly in the property industry.

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

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

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

BRENDAN GORE
BCOMM, FCPA, FCIS, FGIA, FAICD

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Brendan Gore has been Managing Director and Chief Executive Officer (CEO) of Peet Limited since 2007 – successfully leading the company through the global financial crisis, expanding its land bank and developing key new partnerships with Government and major institutions.

Mr Gore's appointment to the position of Managing Director and CEO followed experience in two other key executive roles within the Company. He began with Peet as Chief Financial Officer and played a key role in expanding the Company's scope of activities and growing its core residential development and land syndication businesses.

In January 2007 he was appointed inaugural Chief Operating Officer, taking on responsibility for developing Peet's integrated operational strategy and managing the day-to-day safety and performance of its business divisions. Mr Gore took up his current position later that same year.

Mr Gore's period in senior executive roles at Peet Limited was preceded by more than two decades' experience in a range of senior corporate, commercial and operational positions where he gained extensive experience in strategy development and implementation, as well as expertise in debt and equity markets.

He developed a reputation as a strong leader, with operational responsibilities across local and State Government relations, environmental and sustainability management and occupational health and safety.

Mr Gore is a qualified accountant and a Fellow of CPA Australia. He is also a Fellow of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

1. DIRECTORS (CONTINUED)

ANTHONY LENNON
BA, GRAD DIP BUS ADMIN, MAICD

NON-EXECUTIVE DIRECTOR

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

He moved to Victoria to establish Peet's operations in Australia's eastern states and oversaw significant expansion.

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

Mr Lennon's responsibilities during his career with Peet included project management, broadacre acquisitions, marketing and financing, and a six-year term as chairman of one of WA's largest conveyancing businesses.

Until his transition from Executive to Non-executive Director on 27 August 2012, Mr Lennon was Peet Limited's National Business Development Director.

TREVOR ALLEN
BCOMM (HONS), CA, FF, MAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Trevor Allen joined Peet in April 2012.

Mr Allen has 38 years' experience in the corporate and commercial sectors, primarily as a corporate and financial adviser to Australian and international public and privately-owned companies.

Mr Allen is an Independent Non-executive Director of Freedom Foods Group Limited, where he chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He is also an Alternate Director, Company Secretary and Public Officer of Australian Fresh Milk Holdings Pty Ltd & Fresh Dairy One Pty Ltd. These are joint venture companies, which have been formed to hold various dairy sector investments as part of the Freedom Group.

He is a Non-executive Director of Eclipx Limited and Aon Superannuation Pty Ltd, the trustee of the Aon Master Trust and he chairs the audit committees of both of these companies. He will be retiring from the Board of Aon Superannuation Pty Ltd, the trustee of the Aon Master Trust, on 31 August 2016. He is also a Non-executive Director of Yowie Limited and has recently been appointed Chairman of Brighte Capital Pty Limited, a start-up company financing residential solar and batteries. Mr Allen is a consultant to PPB Advisory.

Mr Allen was also a Non-executive Director and honorary treasurer of the Juvenile Diabetes Research Foundation for seven years and a member of FINSIA's Corporate Finance Advisory Group Committee for ten years.

Prior to Mr Allen's non-executive roles, he had senior executive positions including Executive Director – Corporate Finance at SBC Warburg (now part of UBS), at Baring Brothers and as a Corporate Finance Partner at KPMG for 12 years. At the time of his retirement from KPMG in 2011 he was the lead partner in its National Mergers and Acquisitions group.

From 1997 to 2000 he was Director – Business Development for Cellarmaster Wines, having responsibility for the integration and performance of a number of acquisitions made outside Australia in that period.

1. DIRECTORS (CONTINUED)

VICKI KRAUSE
BJURIS LLB W.AUST, GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Vicki Krause was appointed to the Board of Peet Limited in April 2014.

An experienced commercial lawyer, Ms Krause had a 25 year career as a senior corporate executive with the Wesfarmers Group, including seven years as its Chief Legal Counsel.

She supported successful outcomes in numerous significant acquisitions (including listed companies, trade sales and a privatisation) and divestments.

As Chief Legal Counsel and a member of the Wesfarmers Executive Committee, Ms Krause led a large legal team and was responsible for the provision of legal advice and strategic planning in relation to the management of legal risk in the Wesfarmers Group with key outputs including the evaluation and completion of major business projects and major supply arrangements.

Ms Krause has completed the PMD Management Course at Harvard Business School.

She is currently a director of Western Power and a member of its People and Performance Committee.

ROBERT MCKINNON
FCPA, FGIA, MAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed as Non-executive Director in May 2014, Bob McKinnon has 40 years' experience in finance and general management positions in the light manufacturing and industrial sectors in Australia, New Zealand and Canada.

He is the former Managing Director of Austal Ships and Fleetwood Corporation Limited, and spent 28 years with Capral Aluminium (formerly Alcan Australia) in various financial and senior executive positions.

Mr McKinnon was also a Non-executive Director of Bankwest until November 2012 and of Brierty Limited until September 2011.

His other current directorships include Chairman of Tox Free Solutions Limited and Non-executive Director of Programmed Maintenance Services Limited.

2. PRINCIPAL ACTIVITIES

The Group acquires, develops and markets residential land, predominantly under a capital-efficient funds management model.

Peet was founded in Western Australia in 1895 and has expanded over the years to become Australia's largest pure-play residential developer. Peet has been listed on the ASX since 2004 and is focused on creating high-quality masterplanned residential communities for homebuyers across Australia, and achieving the best possible results for its shareholders, investors and partners who include State and Federal Government agencies and major Australian institutions.

The Group employs approximately 245 people in offices throughout Australia. As at 30 June 2016, the Group managed and marketed a land bank of more than 48,000 lots in the growth corridors of major mainland Australian cities.

There was no significant change in the nature of the activities during the year.

3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS

OPERATING AND FINANCIAL REVIEW

KEY RESULTS [1]

- Operating profit [2] and statutory profit [3] after tax of $42.6 million, up 11%
- Earnings per share of 8.7 cents, up 5%
- FY16 dividends of 4.5 cents per share, fully franked
- Revenue [4] of $284.8 million with 2,865 lots settled
- EBITDA [5] of $89.8 million, down 3%
- Net EBITDA [5] margin of 32%, up 6%
- ROCE [6] of 13.2%
- 2,426 [7] contracts on hand as at 30 June 2016
- Gearing [8] of 28.8%

FINANCIAL COMMENTARY

The Peet Group achieved an operating profit [2] and statutory profit after tax of $42.6 million for the year ended 30 June 2016, which represents an increase of 11% on FY15.

The result reflects the strong performance from the Group's key east coast markets, in particular Victoria and ACT/New South Wales.

The increase in profit was achieved despite lower revenues resulting from the completion of the Quayside apartment project in the ACT and The Chimes residential land project in Western Australia in FY15, the weak market conditions across Western Australia and the Northern Territory and despite the Group not having any direct exposure to the strong Sydney market. The increase in profit has been supported by an improved EBITDA [5] margin, which increased by 6% (from 26% in FY15 to 32%). Price growth backed by strong demand across the Victorian land portfolio, as well as the Group's continued focus on operational efficiencies, were key contributing factors.

The performance has resulted in earnings per share of 8.7 cents for the year ended 30 June 2016, compared to 8.3 cents per share for FY15, representing an increase of 5%.

During the year, the Group secured three new projects – Whole Green in Tarneit, Victoria; Redbank Plains, Queensland; and Tonsley, just 10 kilometres from the Adelaide CBD in South Australia. These projects comprise approximately 3,700 lots/dwellings with a gross development value of circa $930 million. The Tarneit and Redbank Plains projects are already in development and expected to contribute to FY17 earnings. Redbank Plains and Tonsley were secured under Peet's Funds Management platform.

Peet also announced during the year that it had entered into a conditional agreement with the University of Canberra for the proposed development of approximately 3,300 dwellings with an expected gross development value of circa $1.7 billion.

In line with its strategy of managing its pipeline of projects with a focus on maximising return on capital, Peet sold its Arena, Greenvale (Victoria) project in August 2015, with the sales proceeds to be redeployed into lower-cost base acquisitions; and completed the syndication of its latest retail land development syndicate.

1 Comparative period is 30 June 2015, unless stated otherwise. The non-IFRS measures have not been audited.
2 Operating profit is a non-IFRS measure that is determined to present the ongoing activities of the Group in a way that reflects its operating performance. Operating profit includes the effects of non-cash movements in investments in associates and joint ventures totalling $16.7 million (FY15: $6.4 million). 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 Included is statutory revenue of $268.1 million (FY15: $354.4 million) and share of net profits from associates and joint ventures of $16.7 million (FY15: $6.4 million).
5 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $16.7 million (FY15: $6.4 million).
6 Return on Capital Employed (ROCE) = EBITDA/(average net debt + average total equity).
7 Includes equivalent lots. Excludes Arena englobo sale.
8 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), excluding Syndicates consolidated under AASB10.

3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

The $25 million syndication of a parcel of land in Werribee, Victoria, via Peet Werribee Land Syndicate, was closed over-subscribed and, since 30 June 2016, the first sales of lots at Cornerstone, Werribee have been achieved.

The focus on maximising return on capital has seen the Group maintain its ROCE [9] above 13% (13.2% in FY16 and 13.8% in FY15).

In the second half of the year, the Group took the opportunity to issue $100 million in Peet Bonds to diversify the Group's debt structure and to support its growth objectives.

OPERATIONAL COMMENTARY

The Group achieved 3,253 sales (with a gross value of $908.8 million) and 2,865 settlements (with a gross value of $757.1 million) for the full year, representing an increase of 1% and a decrease of 12% respectively compared with FY15.

The lower settlements reflected, in part, continuing challenging conditions in the Western Australian and Northern Territory property markets; the completion in 2015 of highly successful syndicated projects (Warner Lakes in Queensland and Kingsford in Victoria) and the Quayside apartment development project in ACT. These factors were partially offset by the continued strong performance of projects in the eastern states.

Approximately 55% of the Group's settlements were achieved in the second half of FY16 and, as at 30 June 2016, there were a record 2,426 [10] contracts on hand, with a gross value of $545.7 million, providing solid momentum into the 2017 financial year. This compares with 2,061 [11] contracts on hand with a gross value of $440.9 million at 30 June in 2015. These increases are predominantly attributable to the strong sales performance in eastern states' Funds Management projects.

Funds Management projects

The Group's Funds Management business performed solidly in FY16, with the strong performance of projects in the Victorian market more than offsetting the performance of projects in the weaker Western Australian market and the completion of highly successful syndicates in Victoria and Queensland in FY15.

- 1,978 lots sold for a gross value of $481.2 million, compared with 1,768 lots ($433.8 million) in FY15.
- 1,508 lots settled for a gross value of $376.7 million, compared with 1,718 lots ($388.9 million) in FY15.
- 1,510 contracts on hand [11] as at 30 June 2016 with a total value of $314.7 million, compared with 1,150 contracts [11] ($216.9 million) as at 30 June 2015.
- EBITDA [12] of $29.6 million compared with $28.4 million in FY15.
- Net EBITDA [12] margin of 68%, compared with 69% in FY15.

Joint Venture arrangements

The increased contribution from the Group's Joint Venture business in FY16, and continuing on the theme reported in 1H16, is predominantly due to the strong performances of the Googong (NSW) and Lightsview (SA) projects more than offsetting the reduced contributions from The Village at Wellard (WA) and The Heights, Durack (NT).

- 712 lots sold for a gross value of $172 million, compared with 883 lots ($215.1 million) in FY15.
- 940 lots settled for a gross value of $218.3 million, compared with 951 lots ($228.8 million) in FY15.
- 428 contracts on hand [11] as at 30 June 2016 with a total value of $114.6 million, compared with 666 contracts [11] ($165.3 million) as at 30 June 2015.
- EBITDA [12] of $28.3 million compared with $21.4 million in FY15.
- Net EBITDA [12] margin of 40%, compared with 20% in FY15.

9 Return on Capital Employed (ROCE) = EBITDA / (average net debt + average total equity).
10 Includes equivalent lots. Excludes Arena englobo sale.
11 Includes equivalent lots.
12 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $16.7 million (FY15: $6.4 million).

3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

Development projects

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

- 563 lots sold for a gross value of $255.7 million, compared with 578 lots ($167.1 million) in FY15.
- 417 lots settled for a gross value of $162.1 million, compared with 597 lots ($195.1 million) in FY15.
- 488 contracts [13] on hand as at 30 June 2016 with a total value of $116.4 million, compared with 245 contracts [13] ($58.7 million) as at 30 June 2015.
- EBITDA [14] of $40.3 million compared with $45.7 million in FY15.
- Net EBITDA [14] margin of 26%, compared with 25% in FY15.

Land portfolio metrics

	FY16	FY15	Change
Lot sales	3,253	3,229	1%
Lot settlements	2,865	3,266	(12%)
Contracts on hand [15] as at 30 June			
– Number	2,426	2,061	18%
– Value	$545.7 million	$440.9 million	24%

CAPITAL MANAGEMENT

In the second half of the financial year, Peet issued $100 million in new unsecured Peet Bonds, with a maturity date of June 2021, and announced the extension of its senior syndicated debt facility to October 2019.

The funds raised under the Peet Bonds were used to repay the Peet Convertible Notes issued in 2011 and to diversify Peet's debt capital structure to further strengthen the Peet Group's balance sheet and to further support its growth objectives.

The Peet Bonds also increased the weighted average maturity of the Group's borrowings from 2.0 years as at 30 June 2015 to 3.7 years as at 30 June 2016.

The Group's interest-bearing debt (including Peet Bonds) stood at $266.9 million at 30 June 2016, compared with $234.9 million at 30 June 2015. Approximately 84% of the Group's interest-bearing debt was fixed/hedged as at 30 June 2016 (2015: 51%).

While the Group's interest-bearing debt increased during the year as a result of the Whole Green, Tarneit acquisition, it has maintained its focus on prudent capital management, with gearing [16] of 28.8% as at 30 June 2016, compared to 30.6% at the half year.

Peet is well capitalised, however it considers it prudent in the current tightening lending environment to target gearing at the lower end of its target range of 20–30%. While gearing may rise above the target range to fund acquisition opportunities, the Group's preference for acquisitions through its co-investment funds management model is expected to see gearing revert back to within the target range in the short-to-medium term.

The Group had net cash and debt headroom of $96.8 million at 30 June 2016 and produced net operating cash flows of $67 million (before land payments) during the year. Net operating cash flows were impacted during the year by the fall in settlements across the Western Australian and Northern Territory projects and the delay in approximately $15 million of settlements from the Whole Green, Tarneit project in Victoria into July 2016.

13 Includes equivalent lots.
14 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $16.7 million (FY15: $6.4 million).
15 Includes equivalent lots. Excludes Arena englobo sale.
16 Calculated as (Total interest bearing liabilities (including land vendor liabilities) less cash)/(Total assets adjusted for market value inventory less cash, less intangible assets), excluding syndicates consolidated under AASB10

3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

DIVIDENDS

Subsequent to year-end, the Directors have declared a final dividend for FY16 of 2.75 cents per share, fully franked. This brings the total dividend for FY16 to 4.5 cents per share, fully franked, which is in line with the FY15 dividend (4.5 cents per share, fully franked), 50% payout ratio and the Group's focus of targeting the lower end of its target gearing range. The dividend is to be paid on Friday, 14 October 2016, with a record date of Friday, 30 September 2016.

The Directors have resolved to keep the Company's Dividend Reinvestment Plan deactivated.

GROUP STRATEGY

The Group will continue to target the delivery of shareholder value and quality residential communities around Australia by leveraging its 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, with a focus on affordable product.

Key elements of the Group's strategy for the year ahead 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 more than 48,000 lots to achieve optimal shareholder returns;
- continuing to assess opportunities to selectively acquire 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; and
- maintaining a focus on cost and debt reduction.

FY17 will see the commencement of development of a further four projects in key markets across Australia.

Subsequent to year-end, Peet announced the establishment of a new wholesale fund between Peet and Supalai Public Company, a real estate developer listed on the Thailand stock exchange, with each being 50% co-investors. Peet will act as the development manager for the fund which has acquired the residential estate in Redbank Plains, Queensland previously mentioned. The project is expected to be developed out over six years with expected completion in late 2022, and complements the recent launch of Peet's Flagstone City project.

RISKS

The Group's operating and financial performance is influenced by a number of risks impacting the property sector. These include general economic conditions, government policy influencing a range of matters including population growth, household income and consumer confidence, the employment market, and land development conditions and requirements, particularly in relation to infrastructure and environmental management.

Global and domestic economic factors which may influence capital markets and the movement of interest rates are also risks faced by the Group.

The property market is cyclical and, while the Group is impacted by fluctuations in the market, it has also proved its capacity to manage through various cycles over a very significant period of time.

At an individual project level, residential property developments also face a number of risks related to the price and availability of capital, the timeliness of approvals, delays in construction, and the level of competition in the market. The Group has a long history of managing these risks at an individual project and portfolio level.

The Group's financial risk management policies are set out in note 16 to the Financial Report.

3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

OUTLOOK

The Peet Group's portfolio of residential development landholdings is well-positioned for sustainable long-term growth and value creation and the outlook is generally supported by market fundamentals with sustained low interest rates and modest economic growth.

Conditions across Victoria, ACT/ New South Wales and South Australia are expected to remain supportive, while Western Australia and the Northern Territory are expected to remain subdued through the 2017 calendar year.

Activity in the Queensland residential market continues to improve due to its relative affordability, which has been a factor in the recovery in interstate migration.

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

4. EARNINGS PER SHARE

	2016 Cents	2015 Cents
Basic and diluted earnings per share	8.70	8.26

Basic earnings per share is calculated after income tax expense based on the weighted average number of shares on issue for the year ended 30 June 2016. The weighted average number of shares on issue used to calculate earnings per share is discussed at note 7 to the Financial Report.

5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year.

6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 15 July 2016, the Group announced that it established a new wholesale fund with Peet and Supalai Public Company, a real estate developer listed on the Thailand stock exchange, each being 50% co-investors. Peet will act as the development manager for the fund. The wholesale fund has acquired a 1,100-lot residential project in Redbank Plains, Queensland for $37.5 million. The acquisition is unconditional, with settlement expected to occur in September 2016.

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

7. DIVIDENDS

In August 2015, 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 $14.7 million was paid on Wednesday, 30 September 2015.

In February 2016, the Directors declared an interim dividend of 1.75 cents per share fully franked in respect to the year ending 30 June 2016. The dividend of $8.6 million was paid on Friday, 15 April 2016.

Subsequent to 30 June 2016, the Directors have declared a final dividend of 2.75 cents per share fully franked in respect to the year ended 30 June 2016. The dividend is to be paid on Friday, 14 October 2016, with a record date of Friday, 30 September 2016.

The Directors have resolved to keep the Company's Dividend Reinvestment Plan deactivated.

8. ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation by way of the *Environment Protection and Biodiversity Conservation Act 1999* in respect of its land subdivision activities nationally, as well as other environmental regulations under both Commonwealth and State legislation.

The Group is not aware of any breaches of environmental regulations in respect of its activities. However, from time to time, statutory authorities make enquiries, issue notices requiring documents and/or material to be provided, and undertake investigations or audits to confirm compliance with relevant regulations.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group may be subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*. This requires the Group to report its annual greenhouse gas (GHG) emissions and energy use if it has operational control of facilities (sites) that emit greenhouse gases, produce energy, or consume energy at or above the specified GHG emission and energy thresholds per financial year.

The Group is not required to register and report to the Clean Energy Regulator as the Group passes operational control for each of its projects to the relevant contractor undertaking the works, and the remainder of the Group's activities fall below the reporting thresholds for the FY16 reporting period.

9. INFORMATION ON DIRECTORS AND GROUP COMPANY SECRETARY

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

GROUP COMPANY SECRETARY

Dom Scafetta is a Chartered Accountant who has worked with Peet Limited since 1998.

Mr Scafetta began his career with major accounting firm Coopers & Lybrand (now PricewaterhouseCoopers) after completing a commerce degree in 1993. He held a senior role with the organisation in its Business Services division and advised a range of clients on accounting, taxation and general business matters.

After four years at Coopers & Lybrand, Mr Scafetta joined Peet as Company Accountant and Company Secretary, which also required him to act as Company Secretary for the Company's various syndicates and subsidiaries. Prior to Peet being listed on the Australian Securities Exchange, Mr Scafetta was appointed Chief Financial Officer and served in that role until February 2005, when he was appointed as Company Secretary of Peet Limited.

10. DIRECTORS' MEETINGS

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

Director	Board of Directors		Audit & Risk Management Committee		Remuneration Committee		Nomination Committee	
	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended
A W Lennon	16	16	–	–	–	–	3	3
B D Gore	16	16	–	–	–	–	3	3
A J Lennon	16	16	6	6	–	–	3	3
T J Allen*	16	14	6	6	5	5	3	2
V Krause	16	16	–	–	5	5	3	3
R J McKinnon*	16	15	6	6	5	5	3	2

*Directors were absent due to calling of non-scheduled meetings or the rescheduling of meetings which clashed with prior commitments.

11. RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

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

At this year's AGM, both Mr A W Lennon and Mr T J Allen will retire by rotation and offer themselves for re-election. Your Board of Directors recommend the re-election of Mr A W Lennon and Mr T J Allen.

12. REMUNERATION

Dear Shareholder,

Peet is pleased to present its Remuneration Report for the year ended 30 June 2016. This report sets out remuneration information for Non-executive Directors, the Managing Director and Chief Executive Officer (MD), and the Executive Team and focuses on the remuneration decisions made by the Board and the pay outcomes that resulted.

The 2016 financial year represented another year of growth as Peet achieved an operating net profit after tax of $42.6 million, up 11% on the $38.5 million achieved in the 2015 financial year. During the year, Peet secured several new projects, further diversified its debt capital strengthening its balance sheet and continued to deliver on its strategy for growth.

To ensure Peet delivers on its growth strategy it must have the right people to lead the Group over the long-term and a competitive remuneration framework that encourages our Executive Team and wider Leadership Team to continue to make decisions with a view to creating long-term value for shareholders and all stakeholders.

In considering remuneration outcomes, the Board's Remuneration Committee (Committee):

(a) balances Peet's financial performance with the development and implementation of strategies for the long-term benefit of the Group; and

(b) takes into account the underlying scale of Peet's operations which are not fully identifiable from a pure focus on the Group's statutory accounts.

While the statutory financial statements show total revenue of $268.1 million and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $89.8 million, Peet management remains responsible for a greater scale of business.

In addition to its own land development projects, Peet is also responsible for the management of a significant portfolio of land development projects held within its Funds Management and Joint Venture businesses.

If these properties were combined with those of Peet, total Group revenues increase to $757.1 million and total EBITDA increases to $200 million.

Accordingly, the scale of business from which Peet derives its revenues and earnings, which drive its capacity to pay dividends to shareholders, is extensive.

Key remuneration outcomes of the Committee's deliberations are as follows:

- The MD's base pay for the year ended 30 June 2016 was the same as for the previous year.
- Only one of the other Executive Team members received an increase in base pay for the year ended 30 June 2016.
- Short–term incentives will be paid to the Executive Team in respect of the year ended 30 June 2016. This follows a positive assessment of the Executive Team's performance against a balanced scorecard, which includes consideration of Group financial, strategic and individual targets.
- During the year, long-term incentive performance conditions were tested as at 30 June 2015 resulting in the partial vesting of performance rights and the subsequent issue of ordinary shares during the 2016 financial year to participants in Peet's long-term incentive plan.
- There was no increase in the base fee of Non-executive Directors during the year.

12. REMUNERATION (CONTINUED)

Peet also takes the opportunity to confirm that the MD's base pay for the year ending 30 June 2017 will be the same as 2016, notwithstanding his contractual entitlement to an adjustment of at least CPI. Additionally, the 2017 base pays of all other Key Management Personnel (Directors and Executives) will remain the same as their 2016 base pays.

We encourage our shareholders to use the cash value of remuneration realised table on page 47 to assess the remuneration outcomes for Executives in the year ended 30 June 2016 and the alignment of these outcomes with the Group's performance.

The key difference between the cash value of remuneration realised and the statutory remuneration is the value included in the statutory remuneration table for potential future outcomes under the long-term incentive. A value is required to be included in the statutory remuneration table to account for long-term incentives that may or may not vest in the future, while the value for long-term incentives included in the cash value of remuneration realised table represents the value of shares actually issued to Executives following the vesting of performance rights.

The Board is satisfied that these remuneration outcomes for the year ended 30 June 2016 are appropriately performance-based while at the same time recognising the strategic needs of the Group, and we commend this report to you.

Robert McKinnon
Chairman, Remuneration Committee

13. REMUNERATION REPORT (AUDITED)

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

A. SERVICE AGREEMENTS

B. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

C. DETAILS OF REMUNERATION

D. SHARE-BASED COMPENSATION

E. ADDITIONAL INFORMATION

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

The key management personnel of the Group ("KMP") include the Non-executive Directors of the Group, and the following executives (the "Executives") who have authority and responsibility for planning, directing and controlling the activities of the Group.

Name	Position
B D Gore	Managing Director and Chief Executive Officer
P J Dumas	Chief Investment Officer
D Scafetta	Group Company Secretary
B C Fullarton	Chief Financial Officer

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

A. SERVICE AGREEMENTS

Remuneration and other terms of employment for the Executives are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses and participation, when eligible, in the Peet Limited Employee Share Option Plan and/or the Peet Limited Performance Rights Plan. The major provisions of the agreements are set out below.

All contracts with Executives may be terminated early by either party with three to six months' notice, subject to termination payments as detailed below.

Name	Terms of Agreement	Base pay including Superannuation[1]	Termination Benefit[2,3]
B D Gore	On-going renewed 5 August 2011	$937,300	Refer below[4]
P J Dumas	On-going commenced 4 February 2008	$485,000	3 months base pay inclusive of superannuation
D Scafetta	On-going commenced 10 June 1998	$350,000	3 months base pay inclusive of superannuation
B C Fullarton	On-going commenced 21 October 2013	$440,000	3 months base pay inclusive of superannuation

1. Base pays, inclusive of superannuation, for the year ended 30 June 2016. Base pays are reviewed annually by the Remuneration Committee.
2. Termination benefits are payable on early termination by Peet Limited giving notice in writing. Payment may be made in lieu of notice, other than for gross misconduct.
3. Termination benefits referred to in the above table are in addition to any statutory entitlements payable (e.g. accrued annual leave and long service leave).
4. On 5 August 2011 B D Gore renewed his contractual arrangements with the Company. Under the agreement the components of his remuneration comprise fixed annual remuneration, short-term incentives and long-term incentives. There is no fixed termination date and the agreement is terminable on six months' notice by either party. The Company may, at its option, make a payment in lieu of part or all of the notice period and certain conditions exist in relation to payment of long-term and short-term incentives upon termination. A summary of the key contractual terms and remuneration-related arrangements was disclosed to the market on 5 August 2011 with certain parts approved by shareholders at the 2011 AGM.

B. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

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

In consultation with external remuneration consultants in prior financial years, the Company has structured, and continues to evolve, an executive remuneration framework that is market competitive and complementary to our reward strategy through the following features.

ALIGNMENT TO SHAREHOLDERS' INTERESTS

- has a relevant measurement of financial performance as a core component of plan design;
- rewards implementation of strategy focused on building Peet's Funds Management business;
- focuses the Executive on other key financial and non-financial drivers of long-term value; and
- attracts and retains high-calibre Executives.

In prior years, the Remuneration Committee of the Board had given consideration to the most appropriate financial measure to align the creation of shareholder value with incentive arrangements for senior management. Consideration was given to relative performance against comparable listed companies, measuring growth in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), relative performance in measures such as Return on Equity (ROE) and Return on Average Funds Employed (ROAFE) and absolute performance in measures such as ROE and ROAFE.

After due consideration the Remuneration Committee recommended to the Board, and it agreed, to assess financial performance for the purposes of FY15 long-term incentive awards against ROAFE, together with funds under management growth which has been applied for several years.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

FY16 long-term incentive awards contain the performance condition of Return on Capital Employed (ROCE). The calculation of ROCE is no different to the calculation of ROAFE.

The Remuneration Committee and the Board will continue to assess the applicability of all short-term and long-term related key performance indicators as they are applied in assessing performance for remuneration purposes.

ALIGNMENT TO PROGRAM PARTICIPANTS' INTERESTS

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

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As employees are promoted to executive and senior management roles within the Company, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

NON-EXECUTIVE DIRECTORS' FEES (INCLUDING THE CHAIRMAN'S FEES)

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed periodically by the Remuneration Committee and the Board. The Remuneration Committee considers, as appropriate, the advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. Non-executive Directors do not receive share options or performance rights.

The Non-executive Directors' remuneration is inclusive of committee fees and fees for their membership on any subsidiary Boards. From 1 July 2014, the fees payable to the Non-executive Directors was increased by 15% along with an increase in fees for Chairman of the Remuneration Committee and the Chairman of the Audit and Risk Management Committee by $10,000 each. Non-executive Directors may also be entitled to fees where they represent Peet on the Board of Syndicates.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. Shareholders approved a resolution at the 2012 AGM to increase the aggregate Non-executive Directors' fees pool to $900,000.

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

EXECUTIVE PAY

The Company's pay and reward framework for an Executive Director and other (non-director) key management personnel has the following components:

- base pay and benefits;
- short-term performance incentives; and
- long-term incentives.

The combination of these comprises the total remuneration for the individual concerned.

Base pay and benefits

The base pay for Executives is structured as a total employment cost package, which may be delivered as a mix of cash and prescribed non-financial benefits and includes superannuation.

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

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

Short-term performance incentives (STI)

Executives have a target STI opportunity depending on the accountabilities of their specific role and impact on the Group's performance. The maximum target bonus opportunity for the Executives for the years ended 30 June 2016 and 2015 ranged between 100% and 25% of the relevant executive's base pay. However, the Board of Directors has the discretion to pay over and above these amounts.

Each year, the Remuneration Committee considers the appropriate targets and key performance indicators (KPIs) to link to the STI plan and the level of payout if targets are met for the Managing Director and Chief Executive Officer (MD). This may include setting any maximum payout under the STI plan and minimum levels of performance to trigger payment of STI. The MD will then set the STI key performance indicators (KPIs) to apply to his direct reports (being the non-director executive).

KPIs for each Executive are set by reference to the following criteria based on their specific role:

- financial targets;
- business growth targets;
- stakeholder engagement;
- people and process improvements; and
- maintenance and enhancement of health, safety and environmental platforms within the Group.

For the year ended 30 June 2016, the MD and other Executives were assessed as follows against the KPIs:

	Weighting		% Achieved		% Forfeited	
Category	MD	Executives	MD	Executives	MD	Executives
Financial	60.0%	60.0% to 70.0%	51.3%	51.3% to 56.2%	8.7%	8.7% to 13.8%
Strategic	17.5%	7.5% to 35.0%	10.0%	2.0% to 28.0%	7.5%	5.5% to 7.5%
Stakeholder	7.5%	0.0% to 7.5%	6.5%	0.0% to 6.5%	1.0%	0.0% to 1.0%
People and processes improvements	10.0%	5.0% to 22.5%	10.0%	5.0% to 12.5%	–	0.0% to 10.0%
Health, safety and environment	5.0%	0.0% to 5.0%	5.0%	5.0%	–	–
	100.0%	100.0%	82.8%	70.7% to 84.3%	17.2%	15.7% to 29.3%

For the year ended 30 June 2015, the KPI's linked to STI plan were based on similar criteria.

Long-term incentives (LTI)

Traditionally, the Company has provided its Executives with LTIs through participation in the Peet Limited Employee Share Option Plan (PESOP) and/or the Peet Limited Performance Rights Plan (PPRP).

Executives have a target LTI opportunity depending on the accountabilities of their specific role and impact on the Group's performance. The maximum target opportunity for the Executives for the years ended 30 June 2016 and 2015 ranged between 100% and 50% of the relevant executive's base pay.

Each year, the Remuneration Committee considers the appropriate targets and KPIs to link to the LTI plan and the level of payout if targets are met for the Executives. This may include setting any maximum payout under the LTI plan and minimum levels of performance to trigger payment of LTI. Further details of the Company's LTI structures are included in the section titled 'Share-based compensation'.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

C. DETAILS OF REMUNERATION

Details of the statutory and cash value of remuneration of each Director and Executive of the Group are set out in the tables following.

The table below sets out the total cash value of remuneration realised for the Directors and Executives and provides shareholders with details of the "take-home" pay received during the year. These earnings include cash salary and fees, superannuation, non-cash benefits received during the year and the value of shares issued to Executives following the vesting of Performance Rights (PRs) during the financial year. The table does not include the accounting value of share-based payments consisting of PRs granted in the current and prior years required for statutory purposes. This is because those share-based payments are dependent on the achievement of performance hurdles and so may or may not be realised.

		Cash salary and fees[1]	Bonus[2]	Value of PRs vested[3]	Other[4]	Superannuation	Total
Directors							
A W Lennon	**2016**	**216,712**	–	–	–	**20,588**	**237,300**
	2015	216,712	–	–	–	20,588	237,300
S F Higgs[5]	**2016**	–	–	–	–	–	–
	2015	12,500	–	–	–	1,188	13,688
G W Sinclair[6]	**2016**	–	–	–	–	–	–
	2015	12,500	–	–	–	1,188	13,688
T J Allen	**2016**	**136,283**	–	–	–	**12,947**	**149,230**
	2015	136,283	–	–	–	12,947	149,230
V Krause	**2016**	**66,055**	–	–	–	**28,175**	**94,230**
	2015	86,055	–	–	–	8,175	94,230
R J McKinnon	**2016**	**108,886**	–	–	–	**10,344**	**119,230**
	2015	108,886	–	–	–	10,344	119,230
A J Lennon[7]	**2016**	**146,055**	–	–	–	**8,175**	**154,230**
	2015	146,055	–	88,069	–	8,175	242,299
B D Gore	**2016**	**917,992**	**822,959**	**1,964,815**	**10,000**	**19,308**	**3,735,074**
	2015	918,517	968,550	693,875	10,000	18,783	2,609,725
Total	**2016**	**1,591,983**	**822,959**	**1,964,815**	**10,000**	**99,537**	**4,489,294**
	2015	1,637,508	968,550	781,944	10,000	81,388	3,479,390
Other key management personnel							
P J Dumas	**2016**	**455,000**	**292,188**	**595,922**	–	**30,000**	**1,373,110**
	2015	444,000	315,650	263,063	–	30,000	1,052,713
D Scafetta	**2016**	**330,692**	**173,075**	**302,279**	–	**19,308**	**825,354**
	2015	306,217	100,000	138,775	–	18,783	563,775
B C Fullarton	**2016**	**405,000**	**155,452**	–	–	**35,000**	**595,452**
	2015	405,000	220,000	–	–	35,000	660,000
Total	**2016**	**1,190,692**	**620,715**	**898,201**	–	**84,308**	**2,793,916**
	2015	1,155,217	635,650	401,838	–	83,783	2,276,488

1. Cash salary and fee, as well as fees paid to Directors for their directorship on Syndicate Boards.
2. All cash bonuses are earned in the financial year to which they relate and are paid during the following financial year.
3. Calculated as the closing price of Peet shares as at 12 August 2015 ($1.10), being the date the Board confirmed the partial vesting of FY13 PRs.
4. Other includes termination benefits, long service payments, motor vehicle costs, car-parking and other benefits and are inclusive of related fringe benefits tax.
5. Retired 28 August 2014.
6. Retired 28 August 2014.
7. Value of PRs vested relate to PRs granted while A J Lennon was an executive.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

The table below is calculated in accordance with statutory obligations and Australian Accounting Standards. The amounts in "Shares/Options/Performance Rights" column relate to the component of the fair value of awards from the current year and prior years made under the various incentive plans attributable to the year measured in accordance with AASB 2 *Share-based Payments*.

		Short-term benefits			Post-employment benefits	Share-based payments		
		Cash salary and fees[1]	Bonus[2]	Other[3]	Superannuation	Shares/Options/ Performance Rights[4,5]	Termination benefits	Total
		$	$	$	$	$	$	$
Directors								
A W Lennon	**2016**	**216,712**	–	–	**20,588**	–	–	**237,300**
	2015	216,712	–	–	20,588	–	–	237,300
S F Higgs[6]	**2016**	–	–	–	–	–	–	–
	2015	12,500	–	–	1,188	–	–	13,688
G W Sinclair[7]	**2016**	–	–	–	–	–	–	–
	2015	12,500	–	–	1,188	–	–	13,688
T J Allen	**2016**	**136,283**	–	–	**12,947**	–	–	**149,230**
	2015	136,283	–	–	12,947	–	–	149,230
V Krause	**2016**	**66,055**	–	–	**28,175**	–	–	**94,230**
	2015	86,055	–	–	8,175	–	–	94,230
R J McKinnon	**2016**	**108,886**	–	–	**10,344**	–	–	**119,230**
	2015	108,886	–	–	10,344	–	–	119,230
A J Lennon[8]	**2016**	**146,055**	–	–	**8,175**	–	–	**154,230**
	2015	146,055	–	–	8,175	(14,096)	–	140,134
B D Gore	**2016**	**917,992**	**822,959**	**10,000**	**19,308**	**1,033,487**	–	**2,803,746**
	2015	918,517	968,550	10,000	18,783	1,274,209	–	3,190,059
Total	**2016**	**1,591,983**	**822,959**	**10,000**	**99,537**	**1,033,487**	–	**3,557,966**
	2015	1,637,508	968,550	10,000	81,388	1,260,113	–	3,957,559
Other key management personnel								
P J Dumas	**2016**	**455,000**	**292,188**	–	**30,000**	**303,279**	–	**1,080,467**
	2015	444,000	315,650	–	30,000	378,356	–	1,168,006
D Scafetta	**2016**	**330,692**	**173,075**	–	**19,308**	**172,375**	–	**695,450**
	2015	306,217	100,000	–	18,783	200,395	–	625,395
B C Fullarton	**2016**	**405,000**	**155,452**	–	**35,000**	**232,510**	–	**827,962**
	2015	405,000	220,000	–	35,000	232,819	–	892,819
Total	**2016**	**1,190,692**	**620,715**	–	**84,308**	**708,164**	–	**2,603,879**
	2015	1,155,217	635,650	–	83,783	811,570	–	2,686,220

1. Cash salary and fees include fees paid to Directors for their directorship on Syndicate Boards.
2. All cash bonuses are earned in the financial year to which they relate and are paid during the following financial year.
3. Other includes motor vehicle costs, car-parking and other benefits and are inclusive of related fringe benefits tax.
4. The value placed on options and performance rights in the table above is based on the valuation at the date of grant using a Black-Scholes model (options) or Binomial Model (PRs), pro-rated over the period from grant date to vesting date. These do not represent the value of equity benefits that vested in favour of Executives during the year.
5. Remuneration in the form of options and/or PRs may include negative amounts as a result of changes made to vesting probability assumptions and as a result of options and/or PRs forfeited during the year.
6. Retired 28 August 2014.
7. Retired 28 August 2014.
8. Share-based payments include PRs granted while A J Lennon was an executive.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

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

	Fixed remuneration		At risk STI		At risk LTI	
	2016	2015	2016	2015	2016[1]	2015[1]
Directors						
A W Lennon	**100%**	100%	–	–	–	–
S F Higgs[2]	–	100%	–	–	–	–
G W Sinclair[3]	–	100%	–	–	–	–
T J Allen	**100%**	100%	–	–	–	–
V Krause	**100%**	100%	–	–	–	–
R J McKinnon	**100%**	100%	–	–	–	–
A J Lennon	**100%**	100%	–	–	–	–
B D Gore	**34%**	30%	**29%**	30%	**37%**	40%
Other key management personnel						
P J Dumas	**45%**	41%	**27%**	27%	**28%**	32%
D Scafetta	**50%**	52%	**25%**	16%	**25%**	32%
B C Fullarton	**53%**	49%	**19%**	25%	**28%**	26%

1. Since LTIs are provided exclusively by way of options and/or PRs, the percentages disclosed also reflect the value of remuneration consisting of options and/or PRs based on the value of options and/or PRs expensed during the year.
2. Retired 28 August 2014.
3. Retired 28 August 2014.

D. SHARE-BASED COMPENSATION

Options over shares in Peet Limited are granted under the PESOP, which was approved by the Board and shareholders during the 2004 financial year. Performance rights over shares in Peet Limited are granted under the PPRP, which was approved by shareholders at the 2008 AGM. Changes have been made since to allow for changes in taxation of PRs. Employees of any Group Company (including an Executive Director) will be eligible to participate in the PESOP and/or PPRP at the discretion of the Board.

The PESOP and PPRP are designed to provide long-term incentives for Executives to deliver long-term shareholder returns. Under the plans, participants are granted options and/or PRs, which only vest if the employees are still employed by the Group at the end of the vesting period, subject to the Board's discretion, and any set performance hurdles have been met.

INVITATIONS TO APPLY FOR OPTIONS AND/OR PERFORMANCE RIGHTS

Eligible employees, at the discretion of the Board, may be invited to apply for options and/or PRs on terms and conditions to be determined by the Board including as to:

- the method of calculation of the exercise price of each option;
- the number of options and/or PRs being offered and the maximum number of shares over which each option and/or PR is granted;
- the period or periods during which any of the options and/or PRs may be exercised;
- the dates and times when the options and/or PRs lapse;
- the date and time by which the application for options and/or PRs must be received by Peet; and
- any applicable conditions which must be satisfied or circumstances which must exist before the options and/or PRs may be exercised.

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

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

CONSIDERATION

Unless the Board determines otherwise, no payment will be required for a grant of options and/or PRs under the PESOP and/or PPRP.

EXERCISE CONDITIONS

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option and/or PR must be satisfied. However, the Board has the discretion to enable an option and/or PR holder to exercise options and/or PRs where the exercise conditions have not been met, including, for example, where a court orders a meeting to be held in relation to a proposed compromise or arrangement in respect of the Company, or a resolution is passed, or an order is made, for winding up the Company.

Options granted under the PESOP and PRs granted under the PPRP carry no dividend or voting rights.

LAPSE OF OPTIONS AND/OR PRS

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

The table below summarises the status of the Company's options and performance rights granted to Executives:

Executives	Date of Grant	Performance/ Service Period	Expiry	Exercise	Value per option/ PR at Grant Date	Vesting conditions	Balance as at 1 July 15	Granted	Exercised/ vested	Lapsed/ forfeited	Balance at date of report	Exercisable at date of report	Notes
Options													
B D Gore	30 Nov 2007	Up to 30 Nov 2011	N/A	$4.10	$1.12	Time based	1,200,000	–	–	–	1,200,000	1,200,000	2
Performance Rights													
B D Gore	28 Nov 2012	3 yrs ended 30 Jun 2015	28 Nov 2017	$0.00	$0.95[1]	FUM Growth EBITDA Growth	2,086,677	–	(1,786,196)	(300,481)	–	–	3 4
	26 Nov 2013	3 yrs ended 30 Jun 2016	20 Dec 2018	$0.00	$1.27[1]	FUM Growth ROAFE	1,023,622	–	(1,007,244)*	(16,378)	–	1,007,244	3 5
	26 Nov 2014	3 yrs ended 30 Jun 2017	22 Dec 2019	$0.00	$1.07[1]	FUM Growth ROAFE	833,897	–	–	–	833,897	–	3 5
	25 Nov 2015	3 yrs ended 30 Jun 2018	25 Nov 2030	$0.00	$0.97[1]	FUM Growth ROCE	–	928,020	–	–	928,020	–	3 6
Other executives	28 Nov 2012	3 yrs ended 30 Jun 2015	28 Nov 2017	$0.00	$0.95	FUM Growth EBITDA Growth	953,909	–	(816,546)	(137,363)	–	–	3 4
	20 Dec 2013	3 yrs ended 30 Jun 2016	20 Dec 2018	$0.00	$1.27	FUM Growth ROAFE	479,190	–	(471,523)*	(7,667)	–	471,523	3 5
	8 Sep 2014	3 yrs ended 30 Jun 2016	8 Sep 2019	$0.00	$1.27	FUM Growth ROAFE	239,033	–	(235,208)*	(3,825)	–	235,208	3 5
	22 Dec 2014	3 yrs ended 30 Jun 2017	22 Dec 2019	$0.00	$0.94	FUM Growth ROAFE	593,328	–	–	–	593,328	–	3 5
	21 Dec 2015	3 yrs ended 30 Jun 2018	21 Dec 2030	$0.00	$0.96	FUM Growth ROCE	–	679,208	–	–	679,208	–	3 6
							6,209,656	1,607,228	(4,316,717)	(465,714)	3,034,453	1,713,975	
Total							**7,409,656**	**1,607,228**	**(4,316,717)**	**(465,714)**	**4,234,453**	**2,913,975**	

* Vested after 30 June 2016 and exercisable as at the date of this report.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

NOTE 1

The issue of a share-based payment award to a Director requires shareholder approval and the value at grant date is taken as the date at which that approval is granted. Accordingly, the value of these PRs is based on 28 November 2012, 26 November 2013, 26 November 2014 and 25 November 2015, being the dates of Peet Limited's, 2012, 2013, 2014 and 2015 AGMs, respectively.

NOTE 2

These options are convertible to ordinary shares on a 1:1 basis at the exercise price after the fourth anniversary of the grant date.

The exercise condition in respect of these options is that Mr Gore remains employed as Managing Director for a period of four years. Although the service period requirement has been met, the options have not been exercised.

NOTE 3

These PRs are convertible to ordinary shares on a 1:1 basis, with 40% subject to the Funds Under Management (FUM) growth vesting condition.

FUM growth is measured as the total of the following during the performance period:

- the purchase price (ex GST) of land acquired by a Peet syndicate or Joint Venture; or
- the market value (ex GST) of land for which Peet has been appointed development manager at the time of its appointment; or
- the selling price (ex GST) of land sold by Peet, Syndicate, Joint Venture or Peet-managed project to a third party and Peet is appointed the development manager (and where applicable, to manage the leasing) of a commercial, industrial, retail or residential built-form project on that property; or
- in all other property funds management-related transactions, as determined by the Board of Directors.

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

Of the PRs subject to FUM growth, the proportion to vest will be as follows:

Performance level	Aggregate FUM growth target during performance period	Proportion of performance rights that may be eligible to vest
Less than the target	Less than $60 million	0%
Target	$60 million	50%
Target – medium	$60 million to $100 million	Pro-rata between 50% and 70%
Medium – maximum	$100 million to $150 million	Pro-rata between 70% and 100%
Maximum	Greater than $150 million	100%

The Group achieved FUM growth of $88.9 million for the three-year performance period ended 30 June 2015. Accordingly, the performance condition was partially met and on 12 August 2015 the Directors resolved that 64% of the FY13 PRs thereto vested.

The Group achieved the FUM growth of $143.0 million for the three-year performance period ended 30 June 2016. Accordingly, the performance condition was partially met and on 23 August 2016 the Directors resolved that 96% of the FY14 PRs thereto vested.

The PRs for the performance period ending 30 June 2017 remain unvested.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

NOTE 4

These PRs are convertible to ordinary shares on a 1:1 basis, with 60% subject to the EBITDA growth vesting condition, measured over a three-year period from 1 July 2012 to 30 June 2015 (FY13 Performance Period).

EBITDA growth is measured as the aggregate EBITDA achieved over the FY13 Performance Period, compared to the Board's internal EBITDA target for the FY13 Performance Period. The calculation of EBITDA is based on "underlying" EBITDA. That is, it does not include either write-downs of inventories and/or development costs or increases in the carrying value of inventories.

Of the performance rights subject to EBITDA growth, the proportion to vest will be as follows:

Performance level	Proportion of performance rights that may be eligible to vest
Less than 85% of the target	0%
85% of the target	30%
85% to 90% of the target	Pro-rata between 30% and 50%
90% to 100% of the target	Pro-rata between 50% and 70%
100% to 120% of the target	Pro-rata between 70% and 100%
Greater than 120% of the target	100%

The Group achieved underlying EBITDA of $219.2 million against the target of $156.8 million for the three-year performance period ended 30 June 2015. Accordingly, the EBITDA growth performance condition attached to the FY13 PRs was met and on 12 August 2015 the Directors resolved that 100% of the FY13 PRs relating thereto vested.

NOTE 5

These PRs are convertible to ordinary shares on a 1:1 basis, with 60% subject to ROAFE vesting condition, measured over a three-year period from 1 July 2013 to 30 June 2016 (FY14 Performance Period) and 1 July 2014 to 30 June 2017 (FY15 Performance Period) respectively. ROAFE is measured as the average of the earnings before interest, tax and write-downs of inventories and/or development costs or increases in the carrying value of inventories (EBIT) divided by the average of the sum of net debt, convertible notes, contributed equity, non-controlling interests and retained earnings.

The ROAFE is compared to the Board's internal target ROAFE for the FY14 and FY15 Performance Period respectively.

Of the PRs subject to ROAFE, the proportion to vest will be as follows:

Performance level	Proportion of performance rights that may be eligible to vest
Less than 75% of the target	0%
75% of the target	30%
75% to 85% of the target	Pro-rata between 30% and 50%
85% to 100% of the target	Pro-rata between 50% and 70%
100% to 110% of the target	Pro-rata between 70% and 100%
Greater than 110% of the target	100%

The Group achieved underlying ROAFE of 11.58% against the target of 10.5% for the three-year performance period ended 30 June 2016. Accordingly, the ROAFE performance condition attached to the FY14 PRs was met and on 23 August 2016 the Directors resolved that 100% of the FY14 PRs relating thereto vested.

The PRs for the performance period ending 30 June 2017 remain unvested.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

NOTE 6

These PRs are convertible to ordinary shares on a 1:1 basis, with 60% subject to ROCE vesting condition, measured over a three-year period from 1 July 2015 to 30 June 2018 (FY16 Performance Period).

ROCE is measured the same way as ROAFE used in respect of prior years' grants.

Of the PRs subject to ROCE, the proportion to vest will be as follows:

Performance level	Proportion of performance rights that may be eligible to vest
Less than 75% of the target	0%
75% of the target	30%
75% to 85% of the target	Pro-rata between 30% and 50%
85% to 100% of the target	Pro-rata between 50% and 70%
100% to 110% of the target	Pro-rata between 70% and 100%
Greater than 110% of the target	100%

The PRs for the performance period ending 30 June 2018 remain unvested.

OPTION AND PERFORMANCE RIGHTS HOLDINGS

The number of options and PRs over unissued ordinary shares in the Company held during the financial year by Directors and each of the other key management personnel of the Group, including their personally-related entities, is set out below. When exercisable, each option and PR is convertible into one ordinary share of Peet Limited.

	Balance at the start of the year	Granted during the year	Exercised during the year	Lapsed/forfeited during the year[1]	Balance at end of the year	Vested and exercisable at the end of the year
Directors						
A W Lennon	–	–	–	–	–	–
S F Higgs	–	–	–	–	–	–
G W Sinclair	–	–	–	–	–	–
T J Allen	–	–	–	–	–	–
V Krause	–	–	–	–	–	–
R J McKinnon	–	–	–	–	–	–
A J Lennon	–	–	–	–	–	–
B D Gore	5,144,196	928,020	(1,786,196)	(300,481)	3,985,539	1,200,000
Other key management personnel						
P J Dumas	1,105,233	288,119	(541,747)	(91,135)	760,470	–
D Scafetta	588,101	173,267	(274,799)	(46,228)	440,341	–
B C Fullarton	434,763	217,822	–	–	652,585	–

1. Includes performance rights for which performance conditions were not met for the performance period.

During the financial year 2,602,742 PRs (2015: 1,197,657) had vested and were exercised by Executives at $ Nil exercise price.

Since 30 June 2016, 2,189,372 PRs vested and are exercisable at the date of this report. No other options and PRs have been issued.

Refer note 24 of the financial report for the total options and PRs outstanding.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

E. ADDITIONAL INFORMATION

PERFORMANCE OF PEET LIMITED

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

		2012	2013	2014	2015	2016
Net profit after tax (NPAT)	$'000	5,437	880	30,291	38,460	**42,592**
NPAT growth	Growth%	(75.5%)	(83.8%)	3342.2%	27.0%	**10.7%**
Net operating profit after tax (NOPAT)	$'000	20,310	18,346	31,555	38,460	**42,592**
NOPAT growth	Growth%	(53.9%)	(9.7%)	72.0%	21.9%	**10.7%**
Basic EPS	cents per share	1.7	0.26	7.0	8.26	**8.70**
Basic EPS growth	Growth%	(76.7%)	(84.7%)	2592.3%	18.0%	**5.3%**
Operating EPS	cents per share	6.3	5.4	7.3	8.26	**8.70**
Operating EPS growth	Growth%	(56.8%)	(14.3%)	35.2%	13.2%	**5.3%**
Dividends paid/payable	cents per share	–	–	3.5	4.5	**4.5**
Dividend paid growth	Growth%	(100%)	–	100%	29%	**–**
Share price 30 June	$	0.67	1.12	1.35	1.15	**0.94**
Share price growth	Growth%	(54.4%)	67.2%	20.5%	(14.8%)	**(18.3%)**

DETAILS OF REMUNERATION: CASH BONUSES, OPTIONS AND PRS

For each cash bonus, grant of options and/or PRs included in the tables within the remuneration report, the percentage of the available bonus or grant that was paid, or that vested and the percentage that was forfeited because the person did not meet the service and performance criteria, is set out below. Generally, no part of the bonuses forfeited is payable in future years. Subject to the rules of the PESOP and PPRP no options or PRs will vest if the conditions are not satisfied, subject to the discretion of the Board, hence the minimum value of the option and PRs yet to vest is nil. The maximum value of the options and PRs yet to vest has been determined as the amount of the grant date fair value of the options and PRs that is yet to be expensed.

	Cash Bonus		Options & Performance Rights				
	Paid/ payable %	Forfeited/ deferred %	Financial year Granted	Vested[1] %	Forfeited[1,2] %	Financial years in which options/PRs may vest	Maximum total Value of grant yet to vest $
Directors							
A W Lennon	–	–	–	–	–	–	–
S F Higgs	–	–	–	–	–	–	–
G W Sinclair	–	–	–	–	–	–	–
T J Allen	–	–	–	–	–	–	–
V Krause	–	–	–	–	–	–	–
R J McKinnon	–	–	–	–	–	–	–
A J Lennon	–	–	–	–	–	–	–
B D Gore	82.80%	17.20%	2016	–	–	2018	601,769
			2015	–	–	2017	269,033
			2014	98.4%	1.6%	2017	–
			2013	85.6%	14.4%	2016	–

1. Includes performance rights for which performance conditions were met for the performance period ended 30 June 2016 and confirmed by the Directors after balance date.
2. Includes performance rights for which performance conditions were not met for the performance period.

	Cash Bonus		Options & Performance Rights				
	Paid/ payable %	Forfeited/ deferred %	Financial year Granted	Vested[1] %	Forfeited[1,2] %	Financial years in which options/PRs may vest	Maximum total Value of grant yet to vest $
Other key management personnel							
P J Dumas	84.30%	15.70%	2016	–	–	2018	183,568
			2015	–	–	2017	79,112
			2014	98.4%	1.6%	2017	–
			2013	85.6%	14.4%	2016	–
D Scafetta	82.80%	17.20%	2016	–	–	2018	96,141
			2015	–	–	2017	45,203
			2014	98.4%	1.6%	2017	–
			2013	85.6%	14.4%	2016	–
B C Fullarton	70.66%	29.34%	2016	–	–	2018	138,780
			2015	–	–	2017	61,198
			2014	98.4%	1.6%	2017	–

1. Includes performance rights for which performance conditions were met for the performance period ended 30 June 2016 and confirmed by the Directors after balance date.
2. Includes performance rights for which performance conditions were not met for the performance period.

Further details relating to options and/or PRs, either granted, exercised or lapsed during the year, are set out below. The amounts below are calculated in accordance with Australian Accounting Standards. The KMPs exercised 2,602,742 PRs over shares in the Company and received shares in the Company during the year. Please refer to previous pages of the Remuneration Report for commentary on vesting conditions met during the performance period ended 30 June 2016.

	Remuneration consisting of options & performance rights[1]	Value of options & performance rights granted[2]	Value of options & performance rights exercised[3]	Value of options & performance rights lapsed[4]
Directors				
B D Gore	37%	903,891	1,696,886	285,457
Other key management personnel				
P J Dumas	29%	275,730	514,660	86,578
D Scafetta	25%	165,817	261,059	43,917
B C Fullarton	28%	208,456	–	–

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

LOANS TO DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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

VOTING AND COMMENTS MADE AT THE COMPANY'S 2015 ANNUAL GENERAL MEETING

The instructions given to validly appointed proxies in respect of the resolution pertaining to the Company's 2015 Remuneration Report were as follows:

For	Against	Proxy's discretion	Abstain
219,250,937	580,450	264,969	117,587
99.6%	0.3%	0.1%	

The motion was carried as an ordinary resolution on show of hands.

INTERESTS IN THE SHARES, CONVERTIBLE NOTES AND BONDS OF THE COMPANY

	Shares			Convertible notes			Bonds		
	Balance at the start of the year	Received during the year on exercise of PRs	Balance at the end of the year	Balance at the start of the year	Other changes during the year	Balance at the end of the year	Balance at the start of the year	Other changes during the year	Balance at the end of the year
Directors									
A W Lennon	96,812,574	–	96,812,574	600	(600)	–	–	3,000	3,000
T J Allen	92,054	–	92,054	4,114	(4,114)	–	–	5,114	5,114
V Krause	–	–	–	–	–	–	–	1,000	1,000
R J McKinnon	50,000	–	50,000	–	–	–	–	500	500
B D Gore	1,739,798	1,786,196	3,525,994	–	–	–	–	–	–
A J Lennon	1,331,344	–	1,331,344	–	–	–	–	500	500
Other key management personnel									
P J Dumas	117,088	541,747	658,835	–	–	–	–	–	–
D Scafetta	555,310	274,799	830,109	–	–	–	–	–	–

Since 30 June 2016, 2,189,372 PRs were vested and exercisable at the date of this report. No other options and PRs have been issued.

END OF REMUNERATION REPORT (AUDITED)

14. INDEMNITY OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a Directors' and Officers' insurance policy that insures Directors and Officers of the Company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as such. The Directors have not included more specific details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and Officers' liability, as such disclosure is prohibited under the terms of the contract.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not apply to any loss in respect of any matters which are finally determined to have resulted from the auditors' negligent, wrongful or willful acts or omissions. No payment has been made to indemnify the auditors during or since the financial year.

15. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are considered important.

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

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

The fees that were paid or payable for services provided by the auditors of the Group, its related practices and non-related audit firms is set out in note 21 of the Financial Report.

16. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the *Corporation Act 2001*, is set out on page 59.

17. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Director's Report. Amounts in the Director's Report have been rounded off in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

Brendan Gore
Managing Director and Chief Executive Officer
Perth, Western Australia
25 August 2016

EY
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Auditor's Independence Declaration to the Directors of Peet Limited

As lead auditor for the audit of Peet Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Ernst & Young

Ernst & Young

G Lotter
Partner
25 August 2016

Corporate Governance Statement

A copy of the Group's corporate governance policies and practices in place during the financial year ended 30 June 2016 is available at the following link:

http://www.peet.com.au/PeetNational/media/PDF-s/corporate%20governance/160825-Peet-Limited-YE-30-June-2016_CG-Statement-(final).pdf

Unless otherwise stated, these are consistent with the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (released March 2014).

Financial Report

Contents

This financial report covers the consolidated financial statements for the Group consisting of Peet Limited and its subsidiaries. The financial report is presented in Australian currency. Peet Limited is a for profit 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 August 2016. The Directors have the power to amend and reissue the financial report. Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are accessible via our website; www.peet.com.au

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2016 $'000	2015 $'000
Revenue	5	268,127	354,434
Expenses	6	(221,659)	(295,323)
Finance costs (net of capitalised borrowing costs)	6	(4,606)	(5,838)
Share of net profit of associates and joint ventures	10	16,685	6,425
Profit before income tax		**58,547**	**59,698**
Income tax expense	8	(16,759)	(17,769)
Profit for the year		**41,788**	**41,929**
Attributable to:			
Owners of Peet Limited		42,592	38,460
Non-controlling interests		(804)	3,469
		41,788	**41,929**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Realised losses on cash flow hedges transferred to profit or loss		2,184	1,978
Unrealised losses on cash flow hedges		(6,940)	(2,085)
Share of other comprehensive income of associates		162	(2)
Income tax relating to components of other comprehensive income		1,428	32
Other comprehensive income for the year, net of tax		**(3,166)**	**(77)**
Total comprehensive income for the year		**38,622**	**41,852**
Attributable to:			
Owners of Peet Limited		39,426	38,359
Non-controlling interests		(804)	3,493
		38,622	**41,852**

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

	Notes	Cents	Cents
Basic and diluted earnings per share	7	8.70	8.26

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

Consolidated Balance Sheet

	Notes	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents		73,373	57,723
Receivables	11	66,514	53,512
Inventories	9	147,549	100,676
Total current assets		**287,436**	**211,911**
Non-current assets			
Receivables	11	48,024	47,965
Inventories	9	451,395	419,858
Investments accounted for using the equity method	10	198,115	181,826
Property, plant and equipment		11,403	10,932
Intangible assets		2,321	2,589
Total non-current assets		**711,258**	**663,170**
Total assets		**998,694**	**875,081**
Current liabilities			
Payables	12	81,559	63,346
Land vendor liabilities	13	16,100	5,000
Borrowings	16	5,321	65,825
Derivative financial instruments	16	–	1,917
Current tax liabilities		9,650	3,324
Provisions	14	8,136	11,099
Total current liabilities		**120,766**	**150,511**
Non-current liabilities			
Land vendor liabilities	13	73,169	43,181
Borrowings	16	261,644	169,100
Derivative financial instruments	16	8,150	1,473
Deferred tax liabilities	8	33,286	26,436
Provisions	14	164	486
Total non-current liabilities		**376,413**	**240,676**
Total liabilities		**497,179**	**391,187**
Net assets		**501,515**	**483,894**
Equity			
Contributed equity	17	385,955	385,962
Reserves	17	7,809	10,628
Retained profits		103,515	82,264
Capital and reserves attributable to owners of Peet Limited		**497,279**	**478,854**
Non-controlling interest		4,236	5,040
Total equity		**501,515**	**483,894**

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

Consolidated Statement of Changes in Equity

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2014		**328,609**	**8,791**	**66,291**	**403,691**	**16,355**	**420,046**
Profit for the year		–	–	38,460	38,460	3,469	41,929
Other comprehensive income		–	(101)	–	(101)	24	(77)
Total comprehensive income for the year		–	**(101)**	**38,460**	**38,359**	**3,493**	**41,852**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	17	57,353	–	–	57,353	–	57,353
Transactions with non-controlling interest		–	(439)	–	(439)	(14,808)	(15,247)
Share-based payments		–	2,377	–	2,377	–	2,377
Dividends paid		–	–	(22,487)	(22,487)	–	(22,487)
Balance at 30 June 2015		**385,962**	**10,628**	**82,264**	**478,854**	**5,040**	**483,894**
Balance at 1 July 2015		**385,962**	**10,628**	**82,264**	**478,854**	**5,040**	**483,894**
Profit for the year		–	–	42,592	42,592	(804)	41,788
Other comprehensive income		–	(3,166)	–	(3,166)	–	(3,166)
Total comprehensive income for the year		–	**(3,166)**	**42,592**	**39,426**	**(804)**	**38,622**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	17	(7)	–	–	(7)	–	(7)
Transfer between reserves		–	(1,933)	1,933	–	–	–
Share-based payments		–	2,280	–	2,280	–	2,280
Dividends paid		–	–	(23,274)	(23,274)	–	(23,274)
Balance at 30 June 2016		**385,955**	**7,809**	**103,515**	**497,279**	**4,236**	**501,515**

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

Consolidated Statement of Cash Flows

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		294,954	383,724
Payments to suppliers and employees (inclusive of GST)		(210,373)	(234,952)
Payments for purchase of land		(50,422)	(19,903)
Interest and other finance costs paid		(21,072)	(20,371)
Distributions and dividends received from associates and joint ventures		5,756	9,122
Income tax paid		(2,178)	(4,320)
Net cash inflow from operating activities	19	**16,665**	**113,300**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,031)	(2,457)
Payments for investment in associates		(8,253)	(33,017)
Proceeds from capital returns from associates		3,608	2,331
Loans to related parties		(8,801)	(19,397)
Repayment of loans by related parties		6,880	100
Interest received		570	741
Net cash outflow from investing activities		**(9,027)**	**(51,699)**
Cash flows from financing activities			
Dividends paid to Group's shareholders		(23,274)	(21,361)
Repayment of borrowings		(72,419)	(108,512)
Proceeds from borrowings		55,826	46,660
Proceeds from issue of equity securities (net of equity raising costs)		(10)	49,786
Proceeds from issue of Peet bonds (gross proceeds net of costs)		97,889	–
Repayment of convertible notes (including reinvestment proceeds)		(50,000)	–
Transactions with non-controlling interests – share buyback (net of costs)		–	(9,234)
Net cash inflow/(outflow) from financing activities		**8,012**	**(42,661)**
Net increase in cash and cash equivalents		15,650	18,940
Cash and cash equivalents at the beginning of the year		57,723	38,783
Cash and cash equivalents at the end of the year		**73,373**	**57,723**

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

Notes to the Consolidated Financial Statements

CONTENTS

Basis of Reporting

This section of the financial report sets out the basis of preparation of the consolidated financial statements. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

1. Reporting entity

This financial report covers the consolidated financial statements for the Consolidated Entity consisting of Peet Limited and its subsidiaries (Group). The Financial Report is presented in the Australian currency. Peet Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is; Level 7, 200 St Georges Terrace, Perth WA 6000. The nature of the operations and principal activities of the Group are described in the Directors' Report. Peet Limited is a for-profit entity.

2. Basis of preparation

The Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*;
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared under the historical cost convention, except for derivative instruments which have been measured at fair value;
- provides comparative information in respect of the previous period; and
- is rounded off to the nearest thousand dollars or in certain cases to the nearest dollar in accordance with ASIC Corporations Instrument 2016/191.

a. Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and the entities it controlled at the end of, or during the year ended 30 June 2016. 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.

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. 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.

2. Basis of preparation (continued)

b. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the case of syndicates, significant influence can exist with a lower shareholding by virtue of the Group's position as project manager. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses are recognised in the consolidated statement of profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

c. Investments 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;
- share of revenue from the sale of the output by the joint operation; and
- 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.

d. Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a gain or loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Peet Limited.

e. Changes in accounting policies

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 July 2015. New and amended Standards and Interpretations did not result in any significant changes to the Group's accounting policies. The Group has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective (refer note 26 viii).

3. How to read the annual report

The notes to the financial statements are set out into four specific sections:

- Performance for the year;
- Operating assets and liabilities;
- Capital management; and
- Other notes.

Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

Key estimates are described in the following notes:

- Note 5 – sales fall over rates on project management and selling fees;
- Note 8 – deferred tax assets; and
- Note 9 – net realisable value.

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

Financial risks and its management are detailed in the respective notes it pertains to. The Group's activities expose it to financial risks including:

- credit risk (note 11);
- liquidity risk (note 16); and
- interest rate risk (note 16).

Related party transactions are disclosed within the notes they relate to. Transactions which occur between the Group and significant controlled entities are classified as related parties. Significant controlled entities are interests held in associates and joint ventures, which are set out in note 10. Details relating to the key management personnel, including remuneration paid, are set out in note 6.

Performance for the year

This section focuses on the results and performance of the Group.

4. Segment information

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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management group.

The executive management group assesses the performance of the operating segments based on multiple measures including Earnings Before Interest (including interest and finance charges amortised through cost of sales), Tax, Depreciation and Amortisation ("EBITDA"), earnings before interest (including interest and finance charges amortised through cost of sales) and tax ("EBIT") 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 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 transfers 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 transfers and other unallocated" to reconcile reportable business segment information to the Group's consolidated statement of profit or loss.

4. Segment information (continued)

	Funds management		Company-owned projects		Joint arrangements		Inter-segment transfers and other unallocated		Consolidated	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue by segment										
Sales to external parties	40,237	37,027	153,796	185,272	53,921	100,144	16,155	28,036	264,109	350,479
Other revenue	1,535	1,614	891	711	1,181	757	411	873	4,018	3,955
Share of net profit of associates and JVs	1,644	2,836	–	–	15,399	4,731	(358)	(1,142)	16,685	6,425
Total	**43,416**	**41,477**	**154,687**	**185,983**	**70,501**	**105,632**	**16,208**	**27,767**	**284,812**	**360,859**
Corporate overheads							**(10,562)**	**(10,214)**	**(10,562)**	**(10,214)**
EBITDA[1]	**29,608**	**28,420**	**40,266**	**45,683**	**28,276**	**21,390**	**(8,380)**	**(3,074)**	**89,770**	**92,419**
Depreciation and amortisation	(55)	(73)	(1,964)	(1,502)	(304)	(424)	(1,208)	(932)	(3,531)	(2,931)
EBIT[2]	**29,553**	**28,347**	**38,302**	**44,181**	**27,972**	**20,966**	**(9,588)**	**(4,006)**	**86,239**	**89,488**
Financing costs (includes interest and finance costs expensed through cost of sales)									(27,692)	(29,790)
Profit before income tax									**58,547**	**59,698**
Income tax expense									(16,759)	(17,769)
Profit for the year									**41,788**	**41,929**
Loss/(profit) attributable to non-controlling interests									804	(3,469)
Profit attributable to owners of Peet Limited									**42,592**	**38,460**

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.

5. Revenue

	2016 $'000	2015 $'000
Revenue from sales of land	213,281	300,034
Project management, selling and performance fees	50,828	50,445
Other revenue	4,018	3,955
	268,127	**354,434**

Recognition and measurement

Revenue is recognised at the fair value of consideration received or receivable. The main streams of revenue are recognised if it meets the criteria outlined below.

SALE OF LAND

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

PROJECT MANAGEMENT AND SELLING FEES

Project management and selling fees are recognised where there is a signed sales contract with a buyer as this is the point at which revenue has been earned by the project manager, adjusted for estimates of sales fall over rates.

PERFORMANCE FEES

Performance fee revenue is based on a profitability measurement in accordance with the relevant development management agreement.

OTHER REVENUE

Other revenue includes:

- interest – this is recognised when earned, which is determined using the effective interest rate method.
- dividends – this is recognised when the Group's right to receive payment is established.
- other trading activities – this is recognised as the service required under the contract is performed.

KEY ESTIMATES

SALES FALL OVER RATES ON PROJECT MANAGEMENT AND SELLING FEES

An analysis of sales fallen over is performed on a monthly basis for all business segments by location. This analysis is used to determine an appropriate provision for sales fall overs to be recognised against project management and selling fees.

Revenue from related parties included above:

	2016 $'000	2015 $'000
Revenue from related parties[1]		
Associates		
Project management, selling and performance fees	44,147	43,067
Syndicate administration fees	1,587	1,506
Interest	1,535	1,655
Other	–	209
Joint ventures		
Project management, selling and performance fees	3,937	1,963
	51,206	**48,400**

1. Refer to note 3 for information on related party transactions.

6. Expenses

	2016 $'000	2015 $'000
Profit before income tax includes the following specific expenses:		
Land and development cost	125,789	193,894
Amortised interest and finance expense	23,086	23,952
Total land and development cost	**148,875**	**217,846**
Depreciation	3,195	2,668
Amortisation	336	263
Total depreciation and amortisation[1]	**3,531**	**2,931**
Employee benefits expense[2]	33,614	33,957
Project management, selling and other operating costs	17,612	22,787
Other expenses	18,027	17,802
Total other expenses	**69,253**	**74,546**
Total expenses	**221,659**	**295,323**
Finance costs		
Interest and finance charges paid/payable	14,868	16,666
Interest on convertible notes	6,296	5,867
Amount capitalised	(16,558)	(16,695)
Total finance costs	**4,606**	**5,838**

1. Refer to note 26 (ii) and (iii) for accounting policies.
2. Refer to note 26 (iv) and (v) for accounting policies.

Related party expenses

	2016 $'000	2015 $'000
KMP remuneration[1]		
Short-term employee benefits	4,236	4,407
Post-employment benefits	184	165
Share-based payments	1,742	1,937
	6,162	**6,509**

1. Refer to note 3 for information about related party transactions.

Land and development costs

Land and development costs represent the portion of the land and development costs associated with the lots sold during the year.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period they are incurred. The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year (refer note 16).

7. Earnings per share

	2016	2015
Profit attributable to the ordinary equity holders of the Company ($'000)	42,592	38,460
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	489,588,246	465,473,536
Basic and diluted earnings per share (cents)	8.70	8.26

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

Refer note 24 for the number of Performance Rights (PRs) outstanding at 30 June 2016. These PRs are contingently issuable shares and accordingly not included in diluted earnings per share.

8. Taxes

a. Income tax expense

	2016 $'000	2015 $'000
Major components of tax expense		
Current income tax expense		
Current tax	11,637	8,097
Adjustments for prior periods	(693)	736
Inclusion of subsidiary in tax consolidated group	(2,463)	–
	8,481	**8,833**
Deferred income tax expense		
Deferred tax	7,585	8,936
Adjustments for prior periods	693	–
	8,278	8,936
	16,759	**17,769**
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	6,891	10,338
Decrease/(increase) in deferred tax liabilities	1,387	(1,402)
	8,278	**8,936**
Tax reconciliation		
Profit before income tax	58,547	59,698
Tax at Australian tax rate of 30%	17,564	17,909
Tax effect of amounts which are not deductible:		
Share of net profit of associates	(1,733)	(851)
Employee benefits	684	713
Sundry items	244	(107)
Under provision in prior periods	–	105
	16,759	17,769

Recognition and measurement

CURRENT TAXES

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

DEFERRED TAXES

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

KEY ESTIMATES

DEFERRED TAX ASSETS

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, to satisfy certain tests at the time the losses are recouped.

8. Taxes (continued)

b. Deferred tax assets

Movements	Inventory $'000	Cash flow hedges $'000	Capital raising costs $'000	Tax losses $'000	Other $'000	Total $'000
At 1 July 2014	**3,793**	**986**	**743**	**19,868**	**6,156**	**31,546**
Credited/(charged):						
– to profit or loss	319	(14)	(238)	(9,267)	(1,138)	(10,338)
– to other comprehensive income	–	32	–	–	–	32
– directly to equity	–	–	471	–	–	471
Total deferred tax assets	**4,112**	**1,004**	**976**	**10,601**	**5,018**	**21,711**
Set off against deferred tax liabilities pursuant to set off provisions						**(21,711)**
At 30 June 2015						**–**
At 1 July 2015	**4,112**	**1,004**	**976**	**10,601**	**5,018**	**21,711**
Credited/(charged):						
– to profit or loss	(840)	–	(286)	(4,949)	(816)	(6,891)
– to other comprehensive income	–	1,428	–	–	–	1,428
Total deferred tax assets	**3,272**	**2,432**	**690**	**5,652**	**4,202**	**16,248**
Set off against deferred tax liabilities pursuant to set off provisions						(16,248)
At 30 June 2016						–

c. Deferred tax liabilities

Movements	Interest and finance charges $'000	Accrued income $'000	Inventory $'000	Share of joint arrangements deferred tax liabilities $'000	Other $'000	Total $'000
At 1 July 2014	**32,233**	**10,712**	**5,637**	**186**	**781**	**49,549**
Charged/(credited):						
– to profit or loss	(925)	(2,272)	1,091	395	309	(1,402)
Total deferred tax liabilities	**31,308**	**8,440**	**6,728**	**581**	**1,090**	**48,147**
Set off against deferred tax liabilities pursuant to set off provisions						(21,711)
At 30 June 2015						**26,436**
At 1 July 2015	**31,308**	**8,440**	**6,728**	**581**	**1,090**	**48,147**
Charged/(credited):						
– to profit or loss	(1,718)	(368)	2,301	2,107	(935)	1,387
Total deferred tax liabilities	**29,590**	**8,072**	**9,029**	**2,688**	**155**	**49,534**
Set off against deferred tax liabilities pursuant to set off provisions						(16,248)
At 30 June 2016						**33,286**

Operating assets and liabilities

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the capital management section.

9. Inventories

	2016 $'000	2015 $'000
Current		
Cost of acquisition	48,162	15,144
Capitalised development costs	75,663	71,722
Capitalised finance costs	23,724	13,810
	147,549	100,676
Non-current		
Cost of acquisition	302,502	255,238
Capitalised development costs	83,671	90,725
Capitalised finance costs	65,222	73,895
	451,395	419,858
Total inventory at cost	598,944	520,534

Recognition and measurement

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

Land is initially classified as non-current. It is subsequently reclassified to current if the development/subdivided lots are expected to be sold within the next 12 months.

KEY ESTIMATES

NET REALISABLE VALUE

The Group is required to carry inventory at lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. The key assumptions require the use of management judgement and are reviewed annually.

10. Investments accounted for using the equity method

Investments in associates and joint ventures are accounted for using the equity method of accounting.

a. Movements in carrying amounts of investments in associates and joint ventures

	2016 $'000	2015 $'000
Carrying amount at the beginning of the financial year	181,826	152,641
Acquisitions	8,806	34,211
Dividends	(5,756)	(9,122)
Capital returns	(3,608)	(2,331)
Share of profit after income tax	16,685	6,425
Share of other comprehensive income	162	2
Carrying amount at the end of the financial year	198,115	181,826

10. Investments accounted for using the equity method (continued)

The Group assesses, at each balance date, the carrying value of investments in associates and joint ventures to ensure the assets are not impaired.

b. Investments in associates and joint ventures (JVs) including summarised financial information

As at 30 June 2016	Ownership %	Current assets $'000	Non-current assets $'000	Current liabilities $'000	Non-current liabilities $'000	Net assets $'000	Carrying value of interest in associate or joint venture $'000	Revenue $'000	Net profit/ (loss) $'000	Share of profit/(loss) $'000
Associates										
Peet Alkimos Pty Limited, WA	26	37,760	334,974	19,050	119,460	234,224	61,296	26,854	1,438	376
Peet Werribee Land Syndicate, VIC	17	17,500	–	–	–	17,500	3,003	–	–	–
Peet Caboolture Syndicate Limited, QLD	20	13,389	40,145	21,520	21,149	10,865	2,173	12,137	(655)	(131)
Joint Ventures*										
Peet Flagstone City Pty Limited, QLD	50	4,419	116,207	16,223	–	104,403	52,202	–	(2,147)	(1,073)
Googong Township Unit Trust, NSW	50	65,831	130,710	9,096	91,526	95,919	47,961	50,447	22,554	11,276
Peet Golden Bay Pty Limited, WA	50	13,900	23,728	4,984	–	32,644	16,322	15,363	2,519	1,260
Peet Mt Barker Pty Limited, SA	50	12,237	21,853	11,129	–	22,961	11,481	12,566	1,155	578
Crace Developments Pty Limited, ACT	80	2,919	79	155	2,154	689	551	5,582	12,851	3,598
Other associates							3,160			811
Other JVs							(34)			(10)
Total							198,115			16,685

As at 30 June 2015	Ownership %	Current assets $'000	Non-current assets $'000	Current liabilities $'000	Non-current liabilities $'000	Net assets $'000	Carrying value of interest in associate or joint venture $'000	Revenue $'000	Net profit/ (loss) $'000	Share of profit/(loss) $'000
Associates										
Peet Alkimos Pty Limited, WA	26	51,403	314,919	17,974	116,181	232,167	60,758	38,191	2,675	896
Peet Caboolture Syndicate Limited, QLD	20	8,293	43,776	20,627	19,339	12,103	2,421	7,383	(1,379)	(276)
Joint Ventures*										
Peet Flagstone City Pty Limited, QLD	50	2,098	110,956	17,004	–	96,050	48,025	21	(965)	(483)
Googong Township Unit Trust, NSW	50	53,882	132,861	107,537	6,788	72,418	36,209	50,447	8,450	4,225
Peet Golden Bay Pty Limited, WA	50	20,870	3,296	6,040	–	38,126	19,063	14,119	1,815	908
Peet Mt Barker Pty Limited, SA	50	7,901	22,199	3,196	5,098	21,806	10,903	7,616	810	405
Crace Developments Pty Limited, ACT	80	446	1,057	33	8	1,462	1,170	2,347	592	474
Other associates							3,258			286
Other JVs							19			(10)
Total							181,826			6,425

* Refer to note 10(c) for further breakdown of financial information of joint ventures.

The associates and joint ventures finance their operations through unitholder/shareholder contributions and also through external banking facilities. The Group also provides a loan facility to some of these entities which is disclosed in note 11. The Group has no further contractual obligations to provide ongoing financial support.

10. Investment accounted for using the equity method (continued)

c. Additional summarised information in relation to amounts included in assets, liabilities and profit/(loss) of joint ventures

As at 30 June 2016	Cash and cash equivalents $'000	Current financial liabilities[1] $'000	Non-current financial liabilities[1] $'000	Interest expense $'000	Income tax expense/ (benefit) $'000
Peet Flagstone City Pty Limited	1,013	–	–	–	(920)
Googong Township Unit Trust	31,455	–	69,131	7	(23)
Peet Golden Bay Pty Limited	2,413	–	–	–	1,080
Peet Mt Barker Pty Limited	4,234	–	–	–	495
Crace Developments Pty Limited	1,294	–	–	–	–
As at 30 June 2015					
Peet Flagstone City Pty Limited	1,775	16,369	–	–	(412)
Googong Township Unit Trust	10,060	97,500	–	6	61
Peet Golden Bay Pty Limited	7,289	–	–	–	741
Peet Mt Barker Pty Limited	1,973	–	–	–	346
Crace Developments Pty Limited	210	–	–	8	39

1. Excluding trade and other payables and provisions.

11. Receivables

	2016 $'000	2015 $'000
Current		
Trade receivables[1]	12,391	13,646
Accrued income[2]	21,416	12,100
Loans to associates and joint ventures[3]	27,811	23,346
Other receivables[4]	4,896	4,420
	66,514	**53,512**
Non-current		
Loans to associates and joint ventures[3]	35,950	36,499
Other receivables[4]	12,074	11,466
	48,024	**47,965**
Total receivables	**114,538**	**101,477**

1. Trade receivables are non-interest bearing and generally have 30-60 day terms. There were no impaired trade receivables at the end of the year for the Group (2015: $Nil).
2. These amounts represent project management and performance fees from associates and other managed entities.
3. The Group has provided certain associates and JVs of the Group with working capital loan facilities on commercial terms. The loans provided to associates and JVs are unsecured with interest rates based on Bank Bill Swap Bid Rate (BBSY) plus a margin up to 4%.
4. Includes deferred facilities fee – Those that purchase homes in the Lattitude Lakelands retirement village enter into an agreement to pay deferred facilities fees on departure, which is based on 3% of the market value of the unit for each year of occupation (up to 24%). The deferred facilities fee is based on independent valuations.

Related party balances included above:

	2016 $'000	2015 $'000
Current		
Trade and other receivables	23,391	15,179
Loans to associates and joint ventures	27,811	23,346
Non-current		
Other receivables	7,433	7,139
Loans to associates and joint ventures	35,950	36,499
Total	**94,585**	**82,163**

Movements in loans to associates and joint ventures:

Carrying amount at 1 July	**59,845**	**42,254**
Loans advanced to associates	8,801	19,397
Loan repayments from associates	(6,880)	(100)
Other	1,995	(1,706)
Carrying amount at 30 June	**63,761**	**59,845**

Recognition and measurement

LOANS AND RECEIVABLES

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

Trade receivables generally mentioned in (1) are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method, less allowance for impairment. Other receivables are recognised on an accrual basis as the services to which they relate are performed.

Refer note 20 for fair value disclosures.

Credit risk

The credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The maximum exposure to credit risk as at 30 June 2016 is the carrying amount of the financial assets in the consolidated financial statements.

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

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

The Group manages this risk by:

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

12. Payables

	2016 $'000	2015 $'000
Current		
Trade payables	7,168	11,236
Unearned revenue	17,779	4,609
GST payable	5,723	8,711
Accruals	17,211	19,484
Other payables	33,678	19,306
	81,559	**63,346**

Recognition and measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

In some joint arrangement contracts, costs are reimbursed as incurred during development. As revenue is only recognised on settlements, reimbursements received are recognised as unearned revenue until settlement. Although unearned revenue is classified as a liability in the consolidated balance sheet, on settlement it will be recognised in the consolidated statement of profit or loss and not be repaid in cash.

Refer note 20 for fair value disclosures.

13. Land vendor liabilities

	2016 $'000	2015 $'000
Current		
Instalments for purchase of development property	16,100	5,000
	16,100	**5,000**
Non-current		
Instalments for purchase of development property	84,725	53,325
Future interest component of deferred payments	(11,556)	(10,144)
	73,169	**43,181**
Total land vendor liabilities	**89,269**	**48,181**

Recognition and measurement

Where the Group enters into unconditional contracts with land vendors to purchase properties for future development that contain deferred payment terms, these borrowings are disclosed at their present value. The unwinding of the discount applied to the acquisition price is included in finance costs. Generally, the land vendor holds the title over the property until settlement has occurred.

Refer note 20 for fair value disclosures.

The below table analyses the maturity of the Group's land vendor liability obligation:

	2016 $'000	2015 $'000
0 – 1 years	16,100	5,000
1 – 2 years	49,625	16,100
2 – 5 years	35,100	37,225
Total contractual cash flows	**100,825**	**58,325**
Carrying amount of liabilities	**89,269**	**48,181**

14. Provisions

	2016 $'000	2015 $'000
Current		
Rebates	5,154	7,992
Employee entitlements	2,982	3,107
	8,136	**11,099**
Non-current		
Employee entitlements	164	486
	164	**486**
Total provisions	**8,300**	**11,585**

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

	2016 $'000	2015 $'000
Carrying amount at 1 July	**7,992**	**7,639**
Charged/(credited) to the statement of profit or loss:		
– Additional provision recognised	1,648	4,037
– Paid during year	(4,486)	(3,684)
Carrying amount at 30 June	**5,154**	**7,992**

14. Provisions (continued)

Recognition and measurement

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

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

Rebates

The Group may be required under the terms of certain sale contracts to provide rebates for expenditures undertaken by land holders in respect of developments. These expenditures relate to landscaping and fencing and are generally payable where the land purchaser completes the construction of their dwelling within a specified period of time. This period is generally 12 to 18 months from the date of settlement. A liability is recorded at settlement and a related adjustment to profit or loss is recorded upon the expiration of the time limit if the rebate has not been paid.

Employee entitlements

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

15. Interests in joint operations

Details of aggregate share of assets, liabilities, revenue, expenses and results of joint operations.

Group's share of:	Total assets $'000	Total liabilities $'000	Revenue $'000	Expenses $'000
As at 30 June 2016				
The Village at Wellard, WA	34,788	11,238	21,315	12,867
Lightsview Joint Venture, SA	7,757	3,998	14,154	10,950
The Heights Durack, NT	11,124	2,697	6,577	6,002
As at 30 June 2015				
The Village at Wellard, WA	39,395	21,772	36,084	23,121
Lightsview Joint Venture, SA	10,489	3,934	15,738	12,947
The Heights Durack, NT	8,002	2,500	30,222	26,216

Capital management

This section outlines how the Group manages its capital and related financing costs.

For the purpose of the Group's capital management, capital includes:

- issued capital;
- debt facilities; and
- other equity reserves attributable to the equity holders of the parent.

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern;
- continue to provide returns to shareholders and benefits for other stakeholders;
- maintain an efficient capital structure to reduce the cost of capital; and
- ensure all covenants are complied with.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total interest-bearing liabilities (including deferred payment obligations) less cash, divided by total assets adjusted for market value, net of cash and cash equivalents less intangible assets. The market value is based on the latest independent mortgage valuations, adjusted for settlements, development costs and titled stock between the date of valuation and 30 June 2016. At 30 June 2016, the bank covenant gearing ratio was 28.8% (2015: 23.8%).

16. Borrowings and derivative financial instruments

Net debt

	2016 $'000	2015 $'000
Borrowings – Current	5,321	65,825
Borrowings – Non-current	261,644	169,100
Total borrowings*	**266,965**	**234,925**
Cash and cash equivalents	(73,373)	(57,723)
Net debt	**193,592**	**177,202**

*Excludes vendor financing. Refer note 13 for vendor financing on deferred payment terms.

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

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

For 2015, the fair value of the liability portion of a convertible bond was determined using a market interest rate for an equivalent non-convertible bond. Subsequent to initial recognition the liability was carried on an amortised cost basis until maturity. The remainder, representing the equity component of the convertible bonds was recognised and included in reserves, net of income tax effects.

Refer note 20 for fair value disclosures.

Debt facilities

The following provides details of the loans and borrowings utilised as at 30 June 2016:

30 June 2016	Facility amount $'000	Utilised amount $'000	Available amount $'000	Effective interest rate %
Bank loans – note a	193,000	169,191	23,809	6.07%
Peet bonds – note b	100,000	97,774[1]	–	8.06%
	293,000	**266,965**	**23,809**	

1. Net of transaction and finance costs of $2.23 million.

16. Borrowings and derivative financial instruments (continued)

a. BANK LOANS

The bank facilities are secured by a first registered fixed and floating charge over the assets and undertakings of the Group with a carrying amount of $798 million (2015: $691 million). Under these facilities the Group is required to meet bank covenants relating to interest cover, gearing ratio, real property ratio and minimum shareholders' equity. All bank covenants have been met during the reporting period and as at 30 June 2016.

The Group's main bank facility of $200 million was extended to 1 October 2019. The table below analyses the maturity of the Group's bank loans based on the remaining period at reporting date to the contractual maturity date:

	2016 $'000	2015 $'000
0 – 1 years	15,245	28,525
1 – 2 years	25,074	23,434
2 – 5 years	150,652	160,075
Total contractual cash flows	**190,971**	**212,034**
Carrying amount of liabilities	**169,191**	**185,784**

b. PEET BONDS AND CONVERTIBLE NOTES

Peet Limited issued 1,000,000 Peet bonds with a face value of $100 per bond on 7 June 2016. The bonds are unsecured and interest-bearing at a fixed rate of interest of 7.5%, payable semi-annually in arrears and have a maturity date of 7 June 2021.

Of the proceeds raised from the issuance of the Peet bonds, $50 million was used to repay the Peet convertible notes on 16 June 2016 with the remaining balance used to further strengthen the Peet Group's balance sheet and support its growth objectives.

The bonds (2015: convertible notes) are presented in the balance sheet as follows:

	2016 $'000	2015 $'000
Face value of bonds/notes issued	100,000	50,000
Transaction costs	(2,288)	(2,316)
Other equity securities – value of conversion rights	–	(2,761)
	97,712	**44,923**
Cumulative interest expense[1]	496	23,034
Cumulative coupon payable	(434)	(19,213)
	62	**3,821**
Current liability	**–**	**48,744**
Non-current liability	**97,774**	**–**

1. Interest expense is calculated by applying the effective interest rate of 8.06% (2015: 12.23%) to the liability component.

The bonds/notes are repayable as follows:

	2016 $'000	2015 $'000
0 – 1 years	7,500	54,568
1 – 2 years	7,500	–
2 – 5 years	122,233	–
Total contractual cash flows	**137,233**	**54,568**
Carrying amount of liabilities	**97,774**	**48,744**

c. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 $'000	2015 $'000
Current		
Interest rate swap contracts – cash flow hedges	–	1,917
Non-current		
Interest rate swap contracts – cash flow hedges	8,150	1,473
Total derivative financial instruments	**8,150**	**3,390**

The below table analyses the maturity of the Group's interest rate swaps on a net settled basis:

	2016 $'000	2015 $'000
0 – 1 years	–	1,917
1 – 2 years	–	–
2 – 5 years	1,027	379
>5 years	7,123	1,094
Total contractual cash flows	**8,150**	**3,390**
Carrying amount of liabilities	**8,150**	**3,390**

16. Borrowings and derivative financial instruments (continued)

Interest rate swap contracts – cash flow hedges

Recognition and measurement

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

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

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedge reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. The ineffective portion is recognised in the statement of profit or loss immediately. There was no ineffectiveness in the current or prior year.

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

Bank loans of the Group currently bear a weighted average variable interest rate before hedges of 1.88% (2015: 2.53%). It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently cover approximately 74% (2015: 40%) of the variable bank loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate swaps range between 2.83% and 3.11% (2015: 5.05% and 5.08%) and the variable rates are between 1.85% and 2.02% (2015: 2.08% and 2.72%).

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

The notional principal amounts and periods of expiry of the interest rate swap contracts were as follows:

	2016 $'000	2015 $'000
0 – 1 years	–	75,000
1 – 2 years	–	–
2 – 5 years	25,000	50,000
>5 years	100,000	100,000
	125,000	225,000

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, otherwise current.

Liquidity risk

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

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

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities to meet obligations when due, and the ability to close-out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available, and regularly updating and reviewing its cash flow forecasts to assist in managing its liquidity. The maturity analysis of the Group's derivative and non-derivative financial instruments can be located in their respective notes.

The Group has unused borrowing facilities which can further reduce liquidity risk.

16. Borrowings and derivative financial instruments (continued)

Credit risk

The cash component of financial assets is considered to have low credit risk as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Group's main interest rate risk arises from cash and long-term borrowings.

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

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7 *Financial Investments: Disclosures*.

Interest rate sensitivity

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

At 30 June 2016, the Group had the following mix of financial assets and liabilities exposed to variable interest rates:

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents (floating)	73,373	57,723
Financial liabilities		
Borrowings (floating)	(44,191)	(110,784)
Interest rate swap	(8,150)	(3,390)
Net movement	**21,032**	**(56,451)**

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

	Post-tax profits increase/ (decrease)		Equity increase/ (decrease)	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
– 50 basis points	(102)	186	(73)	198
+50 basis points	102	(186)	73	(198)

17. Contributed equity and reserves

a. 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 [1]	36,036,036	38,539
12 December 2014	Share purchase plan [2]	3,923,628	4,306
22 December 2014	Capital raising [3]	6,306,306	6,946
30 April 2015	Dividend reinvestment plan [4]	2,135,489	2,489
	Deferred tax credit recognised in equity	–	471
	Movement for the year	53,599,825	57,353
30 June 2015	**Closing balance**	**486,989,173**	**385,962**
17 August 2015	Vested Performance rights less transaction costs [5]	2,991,386	(10)
	Deferred tax credit recognised in equity	–	3
	Movement for the year	2,991,386	(7)
30 June 2016	**Closing balance**	**489,980,559**	**385,955**

1. In November 2014, the Company completed an institutional placement of 36,036,036 ordinary shares at an issue price of $1.11 per share.
2. In December 2014, the Company issued 3,923,628 shares at an issue price of $1.11 per share to participating eligible shareholders under the Peet Share Purchase Plan (SPP).
3. In December 2014, the Company issued 6,306,306 shares at an issue price of $1.11 per share under a conditional placement to Scorpio Nominees Pty Limited (a company and trust associated with the Chairman of Peet Limited).
4. In April 2015, the Company issued 2,135,489 shares at an issue price of $1.1652 pursuant to the Dividend Reinvestment Plan.
5. In August 2015, the Company issued 2,991,386 shares pursuant to the vesting of FY13 Performance Rights.

The nature of the Group's contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares of options and/or performance rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, options and/or performance rights for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show to hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share held is entitled to one vote.

17. Contributed equity and reserves (continued)

b. Reserves

	Cash flow hedge reserve [1] $'000	Share-based payments reserve [2] $'000	Convertible notes reserve [3] $'000	Non-controlling interest reserve [4] $'000	Total $'000
At 1 July 2014	**(2,427)**	**8,745**	**1,933**	**540**	**8,791**
Cash flow hedges (gross)	(141)	–	–	–	**(141)**
Associates – cash flow hedge reserve	(2)	–	–	–	**(2)**
Deferred tax	42	–	–	–	**42**
Option expense	–	2,377	–	–	**2,377**
Acquisition of additional ownership in CIC	–	–	–	(439)	**(439)**
At 30 June 2015	**(2,528)**	**11,122**	**1,933**	**101**	**10,628**
At 1 July 2015	**(2,528)**	**11,122**	**1,933**	**101**	**10,628**
Cash flow hedges (gross)	(4,756)	–	–	–	**(4,756)**
Associates – cash flow hedge reserve	162	–	–	–	**162**
Deferred tax	1,428	–	–	–	**1,428**
Transfer to retained earnings	–	–	(1,933)	–	**(1,933)**
Option expense	–	2,280	–	–	**2,280**
At 30 June 2016	**(5,694)**	**13,402**	**–**	**101**	**7,809**

1. The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that is recognised directly in equity. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.
2. The share-based payments reserve is used to recognise the fair value of options and performance rights granted.
3. The convertible notes reserve was used to recognise the value of the conversion rights relating to the 9.5% convertible notes, which matured during the year.
4. This reserve is used to record the differences described in note 2(d) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

18. Dividends

	2016 $'000	2015 $'000
Declared and paid during the period		
Prior year franked dividend 3.0 cents, paid on 30 September 2015 (2015: 3.5 cents)	14,699	15,214
Fully franked interim dividend for 2016: 1.75 cents (2015: 1.5 cents)	8,575	7,273
	23,274	**22,487**
Dividend not recognised at year end		
Final dividend 2.75 cents per share to be paid on 14 October 2016 (2015: 3.0 cents per share)	13,475	14,610
Franking credit balance		
Franking account balance as at the end of the financial year at 30% (2015: 30%)	18,459	24,570
Franking credits that will arise from the payment of income tax	9,650	3,324
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period	(5,775)	(6,261)
	22,334	**21,633**

19. Reconciliation of profit after income tax to net cash inflow from operating activities

	2016 $'000	2015 $'000
Profit after income tax	41,788	41,929
Add/(deduct) non cash items:		
Depreciation	3,195	2,668
Amortisation of intangible assets	336	263
Employee share-based payments	2,280	2,377
Equity accounting for investments in associates and joint ventures	(16,685)	(6,425)
Convertible notes effective interest	1,256	1,104
Add/(deduct) other items:		
Interest received	(2,154)	(1,222)
Distributions and dividends from associates and joint ventures	5,756	9,122
Change in operating assets and liabilities during the financial year		
Increase in receivables	(11,140)	(1,504)
(Increase)/decrease in inventories	(74,139)	63,526
Increase in tax liabilities	6,326	4,513
Increase/(decrease) in payables	54,850	(11,811)
Decrease in provisions	(3,285)	(176)
Increase in deferred tax liabilities	8,281	8,936
Net cash inflow from operating activities	**16,665**	**113,300**

20. Fair value measurement

Valuation of financial instruments

For financial assets and liabilities, the Group uses the following fair value measurement hierarchy:

- Level 1: the fair value is calculated using quoted prices in active markets for identical assets and liabilities.
- Level 2: the fair value is determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is based on inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value

The Group's derivative financial instruments were valued using market observable inputs (Level 2) at the carrying value of $8.2 million (2015: $3.4 million).

There have been no transfers between levels during the year.

Other financial instruments – fair value disclosures

The carrying value of receivables, payables and borrowings is considered to approximate their fair values.

The fair value of Peet bonds is the quoted market value (on ASX) of a bond which at 30 June 2016 was $102.03 per bond (Level 1).

KEY ESTIMATES

FAIR VALUE ESTIMATION

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

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

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

- Interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs such as forward pricing and swap models.
- Receivables/borrowings are evaluated by the Group based on parameters such as interest rates and individual creditworthiness of the counter party. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.
- Fair value of the Peet bonds is based on price quotations at the reporting date.

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

Other notes

21. Remuneration of auditors

	2016 $	2015 $
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*		
Ernst & Young	441,422	521,430
Non-Ernst & Young audit firms	–	2,000
Total remuneration for audit services	**441,422**	**523,430**
Other assurance services		
Ernst & Young	–	5,000
Total remuneration for audit and other assurance services	**441,422**	**528,430**
Other services		
Ernst & Young	71,168	41,316
Taxation services		
Tax compliance services including review of Company income tax returns		
Ernst & Young	172,867	361,458

22. Contingencies and commitments

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

	2016 $'000	2015 $'000
Bank guarantees outstanding	19,280	26,235
Insurance bonds outstanding	10,735	10,422
	30,015	**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.

23. Parent entity financial information and subsidiaries

a. Parent entity financial information

SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2016 $'000	2015 $'000
Balance sheet		
Current assets	62,362	77,040
Total assets	540,630	511,164
Current liabilities	14,887	61,780
Total liabilities	95,133	61,908
Shareholders' equity		
Issued capital	385,955	385,962
Reserves		
Share-based payments reserve	13,402	11,123
Convertible notes reserve	–	1,933
Retained profits	46,140	51,238
Total equity	**445,497**	**450,256**
Profit/(loss) for the year	16,243	(3,020)
Total comprehensive income	**16,243**	**(3,020)**

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

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

	2016 $'000	2015 $'000
Bank guarantees outstanding	636	231

b. Subsidiaries

SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 2(a):

	Holding	
Name of Subsidiary	2016 %	2015 %
CIC Australia Limited [3]	100	100
Peet Craigieburn Pty Limited [2]	100	100
Peet Greenvale No. 2 Pty Limited [2]	100	100
Peet Southern JV Pty Limited [2]	100	100
Peet Brigadoon Pty Limited [2]	100	100
Secure Living Pty Limited [2]	100	100
Peet No. 85 Pty Limited [2]	100	100
Peet No. 108 Pty Limited [2]	100	100
Peet No. 112 Pty Limited [2]	100	100
Peet No. 113 Pty Limited [2]	100	100
Peet Treasury Pty Limited [2]	100	100
Peet Estates (VIC) Pty Limited [2]	100	100
Peet Development Management Pty Limited [2]	100	100
Peet Estates (QLD) Pty Limited [2]	100	100
Peet No. 130 Pty Limited [2]	100	100
Peet Estates (WA) Pty Limited [2]	100	100
Peet Funds Management Limited [2]	100	100
Peet No. 1895 Pty Limited [2]	100	–
Peet No. 119 Pty Limited [2]	100	100
Peet No. 125 Pty Limited [2]	100	100
Peet No. 126 Pty Limited [2]	100	100
Peet No. 73 Pty Limited [2]	100	100
Lakelands Retail Centre Development Pty Limited [2]	100	–
Peet Yanchep Land Syndicate [2]	66.4	66.4
Peet Tri-State Syndicate Limited [1,2]	24.43	24.43

1. Peet has a direct interest of more than 20% and has decision making authority in its capacity as manager and earns remuneration for development and management activities. Peet has also provided a loan to this syndicate. The combination of the investment, together with its remuneration and exposure to credit risk, creates exposure to variability of returns from the activities of the fund that is of such a magnitude that it indicates that Peet is deemed to be acting principal.
2. Incorporated in WA.
3. Incorporated in ACT.

23. Parent entity financial information and subsidiaries (continued)

MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below. This information is based on amounts before inter-company eliminations.

	Peet Yanchep Land Syndicate	
	2016 $'000	2015 $'000
Current assets	16,874	24,950
Non-current assets	64,914	62,137
Current liabilities	12,352	21,085
Non-current liabilities	15,000	12,500
Non-controlling interest	18,290	17,974
Revenue	16,584	16,680
Profit or loss after tax	892	1,007
Profit attributable to non-controlling interest	314	338
Total comprehensive income	–	–

Summarised cash flow information:

	Peet Yanchep Land Syndicate	
	2016 $'000	2015 $'000
Operating	7,455	(8,477)
Investing	(6)	(13)
Financing	(8,419)	7,050
Net outflow	**(970)**	**(1,440)**

Peet Tri-State Syndicate Limited was put into liquidation during the year ended 30 June 2016.

Peet has provided loans to other partly-owned subsidiaries amounting to $4.8 million (2015: $17.7 million). The Group has no further contractual obligations to provide ongoing financial support.

23. Parent entity financial information and subsidiaries (continued)

Deed of cross guarantee

Peet Limited and certain wholly-owned subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The companies represent a 'closed group' for the purposes of the Class Order.

	2016 $'000	2015 $'000
Consolidated statement of profit or loss		
Revenue	251,832	326,388
Expenses	(206,266)	(272,082)
Finance costs	(4,558)	(4,905)
Share of net profit of associates accounted for using the equity method	17,043	7,567
Profit before income tax	**58,051**	**56,968**
Income tax expense	(16,154)	(17,650)
Profit for the year	**41,897**	**39,318**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in the fair value of cash flow hedges	(4,756)	(153)
Share of other comprehensive income of associates	162	6
Income tax relating to components of other comprehensive income	1,428	46
Other comprehensive income for the year, net of tax	**(3,166)**	**(101)**
Total comprehensive income for the year	**38,731**	**39,217**
Summary of movement in consolidated retained profits		
Retained profits at the beginning of the financial year	84,498	69,292
Profit for the year	41,897	39,318
Dividends paid	(23,274)	(22,487)
Transfer between reserves	1,933	–
Non-controlling interest	–	(1,625)
Retained profits at the end of the financial year	**105,054**	**84,498**

Consolidated balance sheet

Set out below is a consolidated balance sheet at 30 June 2016 of the closed group consisting of Peet Limited and its wholly owned subsidiaries.

	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	71,136	53,979
Receivables	68,564	56,372
Inventories	131,657	74,713
Total current assets	**271,357**	**185,064**
Non-current assets		
Receivables	60,994	70,214
Inventories	385,940	349,839
Investments accounted for using the equity method	231,262	214,615
Property, plant & equipment	11,363	10,847
Intangible assets	2,321	2,589
Total non-current assets	**691,880**	**648,104**
Total assets	**963,237**	**833,168**
Current liabilities		
Payables	70,242	54,260
Land vendor liabilities	16,100	5,000
Borrowings	–	49,140
Derivative financial instruments	–	1,917
Current tax liabilities	10,156	3,257
Provisions	7,073	9,749
Total current liabilities	**103,571**	**123,323**
Non-current liabilities		
Land vendor liabilities	73,169	43,181
Borrowings	246,173	156,600
Derivative financial instruments	8,150	1,473
Deferred tax liabilities	33,905	27,727
Provisions	164	486
Total non-current liabilities	**361,561**	**229,467**
Total liabilities	**465,132**	**352,790**
Net assets	**498,105**	**480,378**
Equity		
Contributed equity	385,955	385,962
Reserves	7,096	9,918
Retained earnings	105,054	84,498
Total equity	**498,105**	**480,378**

24. Share-based payments

Peet Employee Share Option Plan (PESOP) and Peet Performance Rights Plan (PPRP)

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

Invitations to apply for options and/or performance rights

Eligible employees, at the discretion of the Board, may be invited to apply for options and/or performance rights on terms and conditions to be determined by the Board including as to:

- the method of calculation of the exercise price of each option;
- the number of options and/or performance rights being offered and the maximum number of shares over which each option and/or performance rights is granted;
- the period or periods during which any of the options and/or performance rights may be exercised;
- the dates and times when the options and/or performance rights lapse;
- the date and time by which the application for options and/or performance rights must be received by Peet;
- any applicable conditions which must be satisfied or circumstances which must exist before the options and/ or performance rights may be exercised.

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

Consideration

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

Vesting and exercise conditions

Under the plans, options and/or PRs only vest if the employees are still employed by the Group at the end of the vesting period, subject to the Board's discretion, and any set performance hurdles have been met.

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option and/or performance right must be satisfied. However, the Board has the discretion to enable an option and/or performance right holder to exercise options and/or performance rights where the exercise conditions have not been met, including, for example, where a court orders a meeting to be held in relation to a proposed compromise or arrangement in respect of the Company, or a resolution is passed or an order is made for winding up the Company. Options granted under the PESOP and performance rights under the PPRP carry no dividend or voting rights.

Lapse of options and performance rights

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

24. Share-based payments (continued)

Fair value of options and performance rights granted

The fair value of an option and PRs at grant date is determined using a Black-Scholes option pricing model and the value of a performance right at grant date is determined using a Binomial pricing model. The models take into account the exercise price, the term of the option and/or performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option or performance right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option and/or performance right.

The inputs for assessing the fair value of the performance rights issued during the year under the PPRP were:

Grant Date	Exercise price	Expiry date	Share price at grant date	Expected price volatility of shares	Risk free interest rate	Assessed fair value
21 Nov 15	$0.00	21 Nov 30	$1.07	30%	2.11%	$0.974
21 Dec 15	$0.00	21 Dec 30	$1.05	30%	2.05%	$0.957

The expected price volatility is based on the historic volatility (based on the remaining life of the options and/or performance rights), adjusted for any expected changes to future volatility due to publicly available information.

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expense is $2,280,000 (2015: $2,377,000).

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

Grant date	Expiry date	Exercise price $	Assessed fair value $	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Balance at end of the year	Exercisable at end of the year
30 June 2016									
Options									
30 Nov 07	N/A	$4.10	$1.12	1,200,000	–	–	–	1,200,000	1,200,000
Performance rights									
28 Nov 12	28 Nov 17	–	$0.95	3,494,610	–	(2,991,386)	(503,224)	–	–
20 Dec 13	20 Dec 18	–	$1.27	1,896,513	–	–	–	1,896,513	–
8 Sep 14	8 Sep 19	–	$1.27	328,459	–	–	–	328,459	–
26 Nov 14	26 Nov 19	–	$1.065	833,897	–	–	–	833,897	–
22 Dec 14	22 Dec 19	–	$0.938	988,794	–	–	–	988,794	–
21 Nov 15	21 Nov 30	–	$0.974	–	928,020	–	–	928,020	–
21 Dec 15	21 Dec 30	–	$0.957	–	1,192,460	–	–	1,192,460	–
				7,542,273	2,120,480	(2,991,386)	(503,224)	6,168,143	–
				8,742,273	2,120,480	(2,991,386)	(503,224)	7,368,143	1,200,000
30 June 2015									
Options									
30 Nov 07	N/A	$4.10	$1.12	1,200,000	–	–	–	1,200,000	1,200,000
Performance rights									
16 Jan 12	16 Jan 17	–	$0.81	2,481,719	–	(1,292,656)	(1,189,063)	–	–
28 Nov 12	28 Nov 17	–	$0.95	3,632,193	–	–	(137,583)	3,494,610	–
20 Dec 13	20 Dec 18	–	$1.27	1,896,513	–	–	–	1,896,513	–
8 Sep 14	8 Sep 19	–	$1.27	–	328,459	–	–	328,459	–
26 Nov 14	26 Nov 19	–	$1.065	–	833,897	–	–	833,897	–
22 Dec 14	22 Dec 19	–	$0.938	–	988,794	–	–	988,794	–
				8,010,425	2,151,150	(1,292,656)	(1,326,646)	7,542,273	–
Total				9,210,425	2,151,150	(1,292,656)	(1,326,646)	8,742,273	1,200,000

25. Matters subsequent to the end of the financial year

On 15 July 2016, Peet Limited ("Peet") announced the establishment of a new wholesale fund with Supalai Public Company, a real estate developer listed on the Thailand stock exchange, each being 50% co-investors. Peet will act as the development manager for the fund. The wholesale fund has acquired a residential estate in Redbank Plains, Queensland for a total acquisition price of $37.5 million. The contract is unconditional, with settlement expected to occur in September 2016. The project is expected to be developed out over six years with expected completion in late 2022.

The Directors have declared a final franked dividend of 2.75 cents per share in respect to the year ended 30 June 2016. The dividend is to be paid on Friday, 14 October 2016, with a record date of Friday, 30 September 2016. No provision has been made for this dividend in the financial report as the dividend was not declared or determined by the Directors on or before the end of the financial year.

26. Other accounting policies

i. Investments and other financial assets

RECOGNITION AND DERECOGNITION

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the statement of profit or loss as gains and losses from investment securities.

MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

FAIR VALUE

Details on how the fair value of financial instruments is determined are disclosed in note 20.

IMPAIRMENT

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments classified as available for sale are not reversed through the statement of profit or loss.

ii. Intangible assets

Intangible assets primarily consist of management rights. The management rights acquired by the Company are initially carried at cost. Amortisation is calculated based on the timing of projected cash flows of the management rights over their estimated useful lives.

- Management rights – 10 to 25 years

26. Other accounting policies (continued)

iii. Property, plant and equipment

Property, plant and equipment are shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

- Fixtures and fittings – 3 to 10 years
- Leasehold improvements – 10 years
- Property – 40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss.

iv. Termination benefits

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

v. Retirement benefit obligations

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

vi. Goods and services tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

vii. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Parent entity financial information

TAX CONSOLIDATION LEGISLATION

Peet Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. Peet Limited is the head entity of the tax consolidated group. Members of the group are taxed as a single entity and the deferred tax assets and liabilities of the entities are set-off in the consolidated financial statements.

The entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Peet Limited. At the balance sheet date the possibilities of default were remote.

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

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

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are accounted for at cost in the individual financial statements of Peet Limited. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long-term capital.

26. Other accounting policies (continued)

viii. New accounting standards and interpretations

Except as disclosed below, accounting policies have been consistently applied over all periods presented. The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015, including:

Reference	Description
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Title	Summary	Impact on Group financial report	Application date for Group year ending
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	The Group is in the process of determining the extent of the impact of the amendment, if any.	30 June 2019
AASB 15	Revenue from Contracts with Customers	AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	Based on existing significant revenue contracts, the extent of the impact of the amendment is not expected to be material.	30 June 2019
AASB 16	Leases	AASB 16 eliminates the classification of leases as either operating or finance. Lessees are required to recognise leases on the balance sheet for leases with a term of more than 12 months, unless the underlying asset is of low value.	The Group is in the process of determining the extent of the impact of the amendment, if any.	30 June 2020

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors' Declaration

In the Directors' opinion:

a. the financial statements and notes set out on pages 61 to 97 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 30 June 2016 and of its performance for the financial year ended on that date; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Brendan Gore
Managing Director and Chief Executive Officer
Perth, Western Australia
25 August 2016

Independent Auditor's Report

Building a better working world

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Independent auditor's report to the members of Peet Limited

Report on the financial report

We have audited the accompanying financial report of Peet Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

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Opinion

In our opinion:

a) the financial report of Peet Limited is in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 43 to 57 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Peet Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
25 August 2016

Securityholder Information

Distribution of ordinary shares and Peet Bonds

As at 22 September 2016 there were 2,503 current holders of ordinary shares and 415 current holders of Series 1, Tranche 1 Peet Bonds. These holdings were distributed in the following categories:

Size of Holding	Number of Shareholders	% of Issued Shares	Number of Bondholders	% of Issued Bonds
1 – 1,000	489	0.03	1,168	33.61
1,001 – 5,000	735	0.47	94	21.96
5,001 – 10,000	454	0.72	7	5.70
10,001 – 100,000	737	4.16	8	14.56
100,001 and over	88	94.62	2	24.17
	2,503	100.00	1,279	100.00

There were 367 shareholdings of less than a marketable parcel of $500 (503 shares).

There were nil bondholdings of less than a marketable parcel of $500 (five Bonds).

Securityholders

The names of the 20 largest holders of ordinary shares as at 22 September 2016 are listed below:

Name	Number of Shares Held	% of Issued Shares
J P Morgan Nominees Australia Limited	94,820,972	19.35
Scorpio Nominees Pty Ltd <Gwenton A/C>	86,582,433	17.67
Citicorp Nominees Pty Limited	79,599,264	16.25
HSBC Custody Nominees (Australia) Limited	35,454,465	7.24
National Nominees Limited	27,330,745	5.58
HSBC Custody Nominees (Australia) Limited – A/C 2	25,776,114	5.26
Ian Murray Charles Palmer + Helen Christina Palmer	18,707,352	3.82
Mr Warwick Donald Hemsley	18,242,912	3.72
Argo Investments Limited	14,152,705	2.89
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	9,320,847	1.90
Golden Years Holdings Pty Ltd <Peet Superfund A/C>	8,025,599	1.64
HSBC Custody Nominees (Australia) Limited – A/C 3	5,222,844	1.07
BNP Paribas Noms Pty Ltd <DRP>	5,185,821	1.06
Mr Brendan David Gore <Gore Family A/C>	4,533,237	0.93
Pershing Australia Nominees Pty Ltd <Nominee A/C>	2,861,575	0.58
Netwealth Investments Limited <Wrap Services A/C>	2,408,628	0.49
Mr Julian Charles Peet	1,528,344	0.31
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,516,828	0.31
HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	1,497,325	0.31
Ms Gwenyth Elaine Lennon	1,294,556	0.26
Total for 20 largest shareholders	444,062,566	90.63
Total other shareholders	45,917,993	9.37
Total ordinary shares on issue	489,980,559	100.00

Securityholder Information (continued)

The names of the 20 largest holders of Peet Bonds as at 22 September 2016 are listed below:

Name	Number of Bonds Held	% of Issued Bonds
HSBC Custody Nominees (Australia) Limited	141,303	14.13
J P Morgan Nominees Australia Limited	100,357	10.04
Grizzly Holdings Pty Ltd	26,400	2.64
Australian Executor Trustees Limited <No 1 Account>	24,240	2.42
Jove Pty Ltd	22,612	2.26
Finot Pty Ltd	20,000	2.00
RBC Investor Services Australia Nominees Pty Ltd <Picredit>	15,000	1.50
Stonecot Pty Ltd <Hosb Super Fund A/C>	15,000	1.50
Farallon Capital Pty Ltd <Nunn Investment A/C>	11,500	1.15
Aust Executor Trustees Ltd <DDH Preferred Income Fund>	10,839	1.08
Jilliby Pty Ltd	10,000	1.00
George Tauber Management Pty Ltd	9,250	0.93
Passini Pty Ltd	8,500	0.85
Wattle Laboratories Pty Ltd <Advanced Culture Systems A/C>	8,250	0.83
Tierney Pty Limited <Nettex Aust Direct S/F A/C>	8,000	0.80
Riseley Family Investments Pty Ltd <Riseley Family A/C>	7,250	0.73
Mr John Andrew Rodgers <John Rodgers Family A/C>	5,770	0.58
G & S Mills Super Pty Ltd <G & S Mills S/F A/C>	5,000	0.50
Investment Management Co Pty Ltd <Vantage Investment Fund A/C>	5,000	0.50
Invia Custodian Pty Limited <Brian Davis Inv Pl A/C>	5,000	0.50
Total for 20 largest bondholders	459,271	45.93
Total other bondholders	540,729	54.07
	1,000,000	100.00

Substantial shareholders

As disclosed in substantial holding notices lodged with ASX (as applicable) at 22 September 2016:

Name	Date of Last Notice Received	Number of Shares Held	% of Issued Shares[1]
Scorpio Nominees Pty Ltd and its associates	14 November 2014	92,299,388	19.40
Allan Gray Australia Pty Ltd and its related bodies corporate	11 August 2016	51,535,296	10.52
Ellerston Capital Limited and its associates	19 April 2016	36,032,493	7.35
UBS Group AG and its related bodies corporate	1 July 2016	25,050,742	5.11
Challenger Limited (and various other entities)	8 September 2014	23,908,410	5.52

1. Percentage of issued shares held as at the date notice provided.

Securityholder Information (continued)

Voting rights of Ordinary Shares

The constitution provides for votes to be cast:

(i) on a show of hands, one vote for each shareholder; and

(ii) on a poll, one vote for each fully paid ordinary share.

Voting rights of Peet Bonds

Bondholders have certain rights to vote at meetings of bondholders but are not entitled to vote at general meetings, unless provided for by the ASX Listing Rules or the Corporations Act.

Securities Exchange Listings

Peet Limited's ordinary shares are listed on the Australian Securities Exchange (ASX). The Company's ASX code is PPC.

Peet Limited's Series 1, Tranche 1 Peet Bonds are listed on the ASX, with the code being PPCHA.

Options and Performance Rights

As at 22 September 2016, Peet Limited had 1,200,000 options on issue, held by one key management person, as disclosed elsewhere in the Annual Report.

As at 22 September 2016, Peet Limited had 3,943,171 performance rights on issue, held by eight key management personnel and other senior managers.

These options and performance rights, which are not listed, were issued under the PESOP and PPRP, respectively.

Website address

www.peet.com.au

The Peet Limited website offers the following features:

- Investor relations page with the latest Company announcements;
- News service providing up to date information on the Company's activities and projects; and
- Access to annual and half year reports.

Corporate Directory

PEET LIMITED

A.B.N. 56 008 665 834
Website Address – www.peet.com.au

Directors

Tony Lennon, FAICD, Non-executive Chairman
Brendan Gore, BComm, FCPA, FCIS, FGIA, FAICD, Managing Director and Chief Executive Officer
Anthony Lennon, BA, Grad Dip Bus Admin, MAICD, Non-executive Director
Trevor Allen, BComm (Hons), CA, FF, MAICD, Independent Non-executive Director
Vicki Krause, BJuris LLB W.Aust, GAICD, Independent Non-executive Director
Robert (Bob) McKinnon, FCPA, FGIA, MAICD, Independent Non-executive Director

Group Company Secretary

Dom Scafetta, BComm, CA

Registered Office and Principal Place of Business

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Auditor

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