ANNUAL REPORT 2018

PEET

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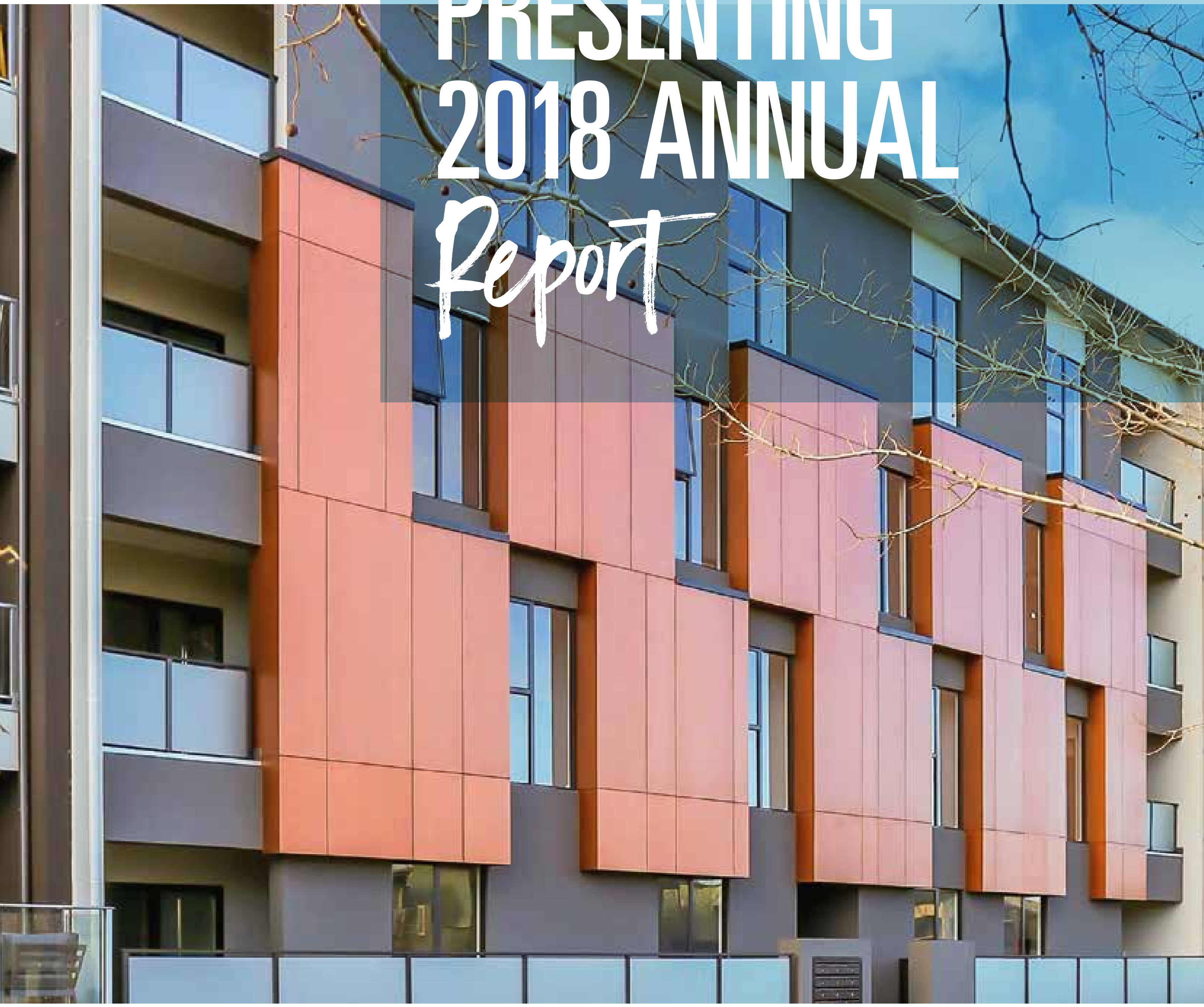
LIGHTSVIEW APARTMENTS, SA

PRESENTING 2018 ANNUAL *Report*



> "The Group has evolved and broadened its capabilities and offerings – continuing to create high-quality residential opportunities for homebuyers across Australia, and the best possible results for our shareholders, investors and partners"

Business OVERVIEW

VISTA BLUE TOWNHOUSES SHOREHAVEN, ALKIMOS WA

> “The Group currently employs around 250 people across Australia with expertise covering various disciplines in the development process”

THE PEET GROUP IS COMMITTED TO PROVIDING NEW OPPORTUNITIES – FOR OUR CUSTOMERS, INVESTORS AND DEVELOPMENT PARTNERS – LEVERAGING A PIPELINE OF APPROXIMATELY 49,700 LOTS, WITH A GROSS DEVELOPMENT VALUE OF APPROXIMATELY $14 BILLION, SPREAD ACROSS EVERY MAINLAND STATE AND TERRITORY OF AUSTRALIA.

Our focus is creating high-quality, masterplanned residential communities that enable and inspire people of all ages and backgrounds to achieve home ownership, and deliver the best possible results for shareholders, wholesale, institutional and retail investors, and public and private sector development partners.

The Group acquires, develops and markets residential land, predominantly under a capital-efficient funds management model. We take a strategic approach to land acquisition, and our geographically diversified portfolio means we are well positioned to leverage different property cycles.

We currently have approximately 60 projects across the country, and the wide and varying nature of these developments reflect the evolution of the Group. We continue to broaden our capabilities ensuring we offer a product mix that suits the changing lifestyles being sought by homebuyers – this includes an increasing focus on completed homes and medium density products and, to a lesser extent, apartments.

Investment in community infrastructure is also key to the success of each and every one of our communities – from the delivery and/or facilitation of key amenities such as parks and playgrounds, shopping centres, schools, medical centres, pharmacies, childcare centres and other local services in some estates, to the creation and installation of works of public art.

The Group currently employs around 250 people across Australia with expertise covering various disciplines in the development process – from project inception to delivery. We also work with a variety of expert consultants who are carefully selected as required for each project.

We pride ourselves on the sound governance framework, strong management, breadth of business skills and modern project management systems and procedures which underpin all our development and marketing activities.

In the 2018 financial year, the Group has achieved another increase in profit on the back of continuing strong conditions across the east coast markets. Heading into the 2019 financial year, our strong balance sheet, low gearing and geographically diversified portfolio is well positioned for sustainable, long-term growth and the Group will continue to deliver an innovative and diverse mix of product and infrastructure.

CONNECTION:

ENGAGED AND THRIVING COMMUNITIES

CORNERSTONE WEERRIBEE, VIC

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

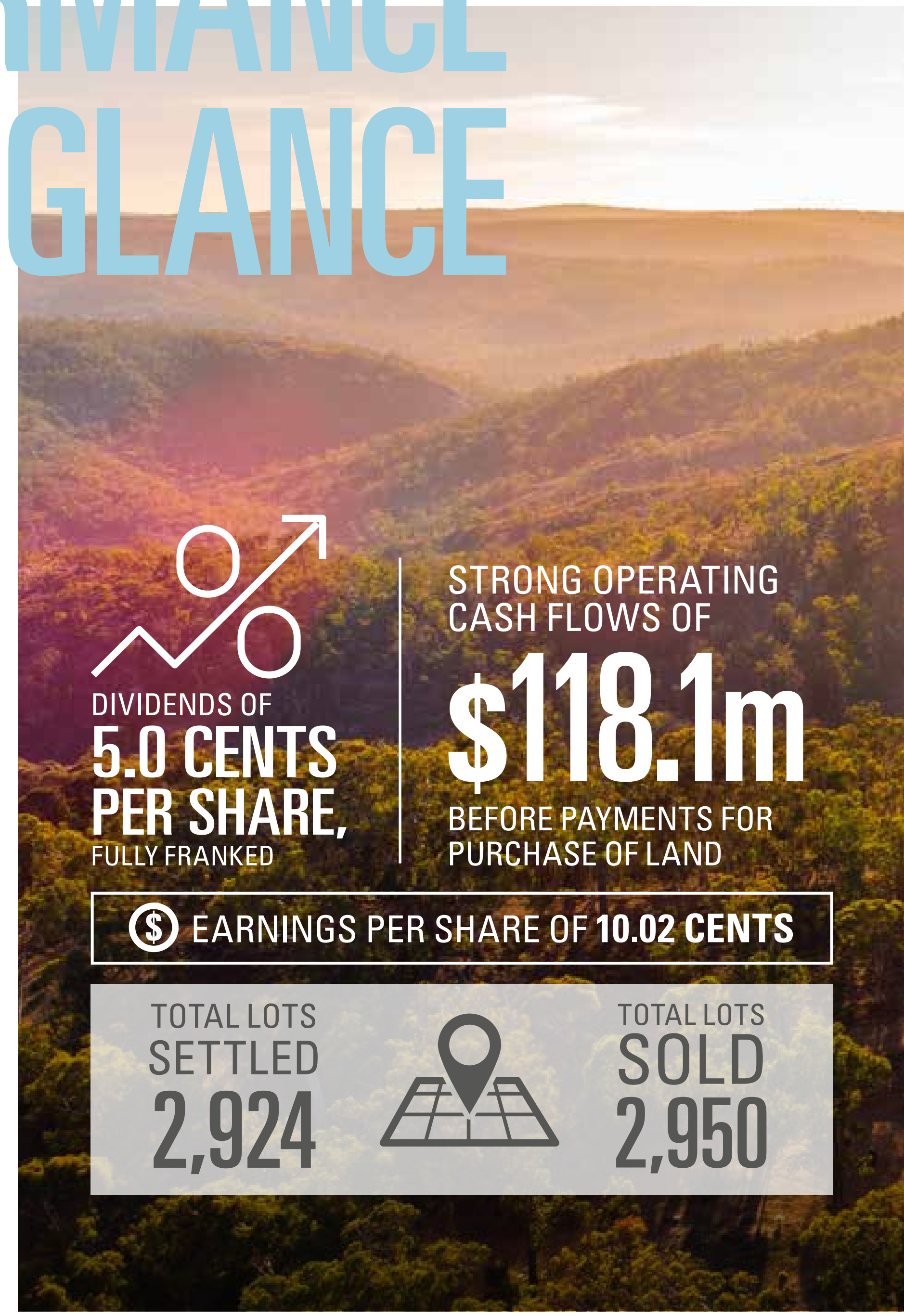
WE treat our team, customers and the environment with respect, dignity and equality.

CUSTOMER SERVICE

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

PERFORMANCE AT A GLANCE

The Peet Group increased operating and statutory profit by 10% to $49.1 million in FY18.



1 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 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.

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

3 Includes statutory revenue of $287.6 million (FY17: $296.0 million) and share of net profits from associates and joint ventures of $14.1 million (FY17: $15.3 million).

4 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $14.1 million (FY17: $15.3 million).

5 Includes equivalent lots. Excludes englobo sales.

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

OPERATING PROFIT AFTER TAX ($M)

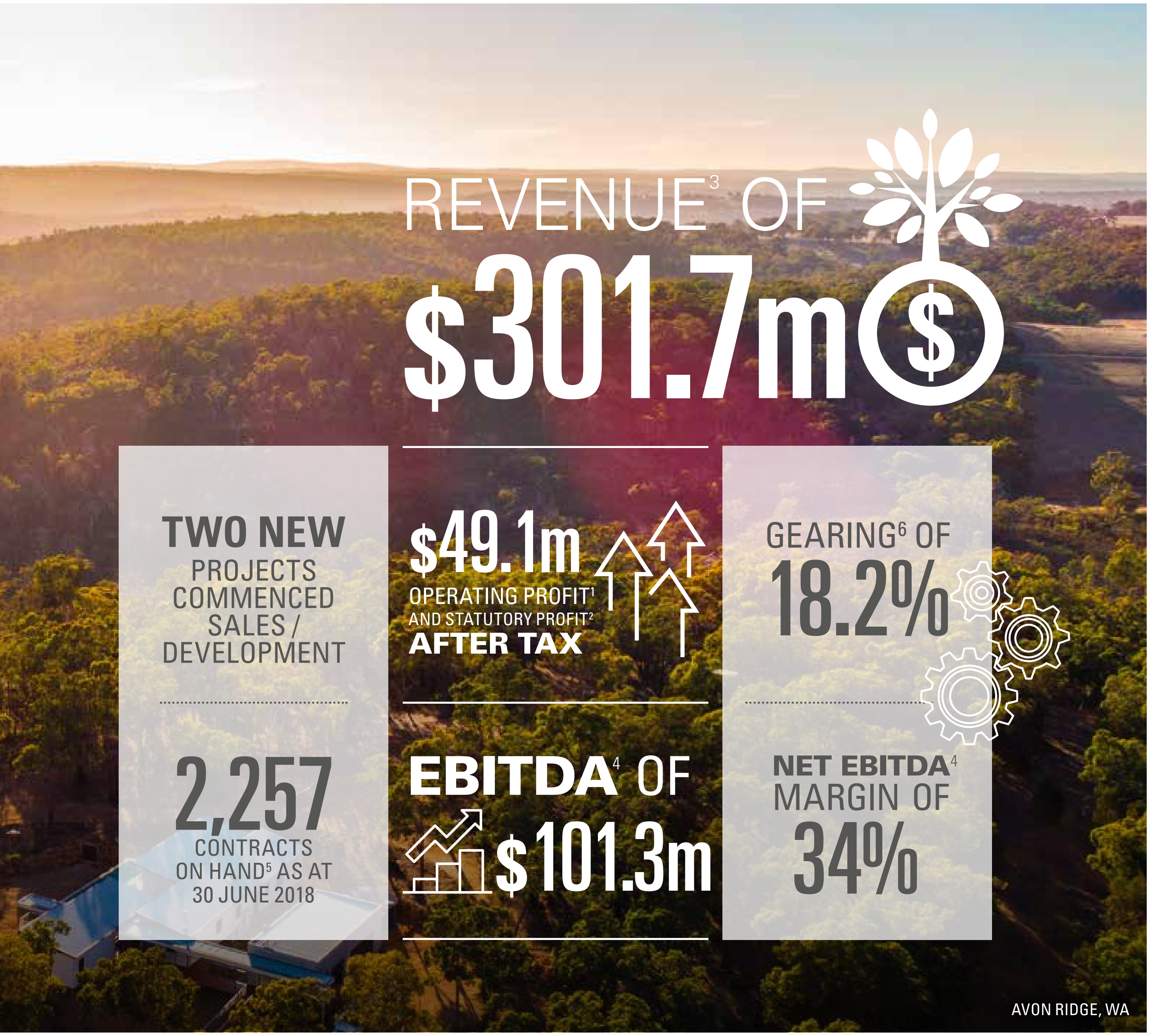
10%

FY16: 42.6	FY17: 44.8	FY18: 49.1

DIVIDENDS (CPS)

5%

FY16: 4.5	FY17: 4.75	FY18: 5.0



REVENUE[3] OF

$301.7m

TWO NEW PROJECTS COMMENCED SALES / DEVELOPMENT

2,257 CONTRACTS ON HAND[5] AS AT 30 JUNE 2018

$49.1m OPERATING PROFIT[1] AND STATUTORY PROFIT[2] **AFTER TAX**

EBITDA[4] OF **$101.3m**

GEARING[6] OF **18.2%**

NET EBITDA[4] MARGIN OF **34%**

AVON RIDGE, WA

OPERATING EPS (CPS)

10%

FY16: 8.7	FY17: 9.14	FY18: 10.02

EBITDA ($M)

11%

FY16: 89.8	FY17: 91.1	FY18: 101.3

NET EBITDA MARGIN (%)

5%

FY16: 32%	FY17: 29%	FY18: 34%

LEADING PEET INTO THE *Future*

TONSLEY VILLAGE, SA

> "Peet Group, with its diversified land bank and strong balance sheet, is well positioned for sustainable long-term growth."

CHAIRMAN'S REVIEW

ON BEHALF OF THE BOARD OF PEET LIMITED, I AM PLEASED TO PRESENT THE PEET 2018 ANNUAL REPORT.

THE 2018 FINANCIAL YEAR (FY18) SAW VARIABLE MARKET CONDITIONS CONTINUE ACROSS THE AUSTRALIAN RESIDENTIAL PROPERTY SECTOR. VICTORIA SUSTAINED ITS STRONG MARKET POSITION, ALTHOUGH MODERATING FROM THE HEADY LEVELS OF FY17.

THE EMPLOYMENT GROWTH AND INCREASED BUSINESS CONFIDENCE LIFTED PROPERTY DEMAND IN QUEENSLAND, PARTICULARLY IN THE AFFORDABLE PRODUCT CATEGORY.

Market conditions for us in Australian Capital Territory / New South Wales and South Australia remained consistent and solid, while in Western Australian they were subdued yet stabilising.

Peet's methodically acquired and geographically diversified portfolio enabled the group to leverage opportunities across different markets and changing cycles throughout the financial year, culminating in a solid profit increase, strong operating cash in-flows and reduced gearing.

As examples of this two Funds Management/Joint Venture developments commenced sales during the year – at Eden's Crossing in Queensland and Tonsley Village in South Australia.

The activity generated by these new projects and the continuing growth of the Flagstone project in Queensland are of significant benefit and contributed to revenue as we saw the completion of several successful projects in Victoria.

Having been named the preferred proponent at the end of FY17 to partner with the Western Australian Government to deliver the Brabham project, the Peet Group has now finalised a formal Project Management Agreement to deliver this new transit-orientated community. Planning detail for this new community of Brabham, which is in a prime growth corridor of Perth, will commence in FY19.

The acquisition during the year of four medium-density sites helps position Peet well to further diversify product offering to meet changing market needs in the medium-density and completed home market.

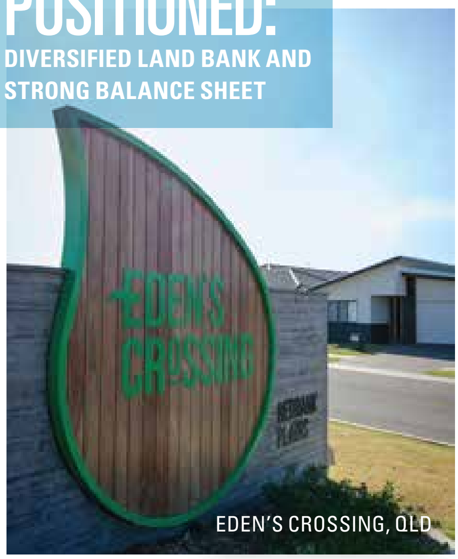
The year ahead

The Peet Group is well positioned for FY19, with a diversified land bank, low gearing and a strong balance sheet.

Approximately 70% of the Group's land bank was in development at year end, and this is expected to increase to more than 80% by FY20. To achieve that, some significant new projects will come into development, including Palmview in the improving Queensland market, Brabham in Western Australia and several Completed Homes and Medium Density projects.

To ensure Peet is best positioned to maintain market share and momentum for these projects and across all of our activities, economic and political factors that may influence capital markets and the property sector will continue to be monitored.

WELL POSITIONED:
DIVERSIFIED LAND BANK AND STRONG BALANCE SHEET



EDEN'S CROSSING, QLD

Much commentary has been made of the lessening of offshore and other investor participation in residential markets, however such investors have not been aggressively targeted by Peet. Indeed, we have sought a balance weighted towards owner occupiers rather than investors generally.

During the year, Peet reduced its interest-bearing debt to $217.2 million at 30 June 2018, compared with $249.8 million at 30 June 2017 and also reduced its gearing to 18.2% at 30 June 2018.

We will continue to maintain a disciplined approach to capital management and seek to further grow our funds management business, co-investing with selected investors with Peet as development manager.

Given Peet's strong financial position and in line with our focus on prudent capital management and since we have seen our share price trading at or below the book NTA as at 30 June 2018 of $1.18, we have announced that we will implement a 12-month on-market share buy-back of up to 5% of our issued ordinary shares.

Peet reserves the right to suspend or terminate the buy-back at any time so as to have capital management flexibility and to take advantage of acquisition opportunities that may arise.

Dividends

The Directors were pleased to declare a final dividend for FY18 of 3.0 cents per share, fully franked. This brings the total dividend for FY18 to 5.0 cents per share, fully franked, which is an increase of 5% on the FY17 dividend (4.75 cents per share, fully franked).

Conclusion

The Peet Group is well positioned for sustainable long-term growth and to manage its portfolio of projects through the variable market conditions that are expected to continue into FY19, which include moderating conditions in Victoria and New South Wales.

The Board and Management will continue the Group's focus on strategic acquisitions, while sustaining the development program for our existing land bank, and at all times maintaining prudent capital management to leverage growth opportunities.

I look forward to working with my fellow Directors and Peet Managing Director and CEO Brendan Gore, to deliver these outcomes. I take this opportunity to acknowledge them, and the entire Peet team, for the work they do to deliver innovative and exciting communities and investment opportunities for our company across Australia.

I look forward to FY19 and the positive outcomes and results we can achieve for all of our investors, partners and the present and future residents of our communities.

Tony Lennon
Chairman

17 October 2018

FOCUS ON PRUDENT CAPITAL MANAGEMENT

BLUESTONE MT BARKER, SA

"I look forward to FY19 and the positive outcomes and results we can achieve for all of our investors, partners and the present and future residents of our communities. "

2018 FINANCIAL YEAR

LAKELANDS ESTATE, WA

> “Peet also enters FY19 will a strong balance sheet, including low gearing and cash and debt facility headroom of $148.3 million at 30 June 2018.”

MANAGING DIRECTOR AND CEO’S REVIEW

THE 2018 FINANCIAL YEAR WAS ANOTHER POSITIVE YEAR FOR THE PEET GROUP, WITH OUR GEOGRAPHICALLY DIVERSIFIED LAND BANK AND PRODUCT PORTFOLIO UNDERPINNING SOLID PERFORMANCE AND RESULTS.

Favourable conditions on the east coast, including improving sales and settlements from the Queensland portfolio, more than offset the ongoing subdued Perth market. The Queensland land bank provides significant exposure to the improving market cycle across the state.

Sales and settlements from the Group’s Queensland portfolio increased 16% and 64%, respectively, compared to FY17, with the performance underpinned by the continued growth of the Flagstone estate and the first full year of sales from the Eden’s Crossing estate.

This contributed to an increase in operating profit and statutory profit, after tax, to $49.1 million, up 10% on FY17, and earnings per share of 10.02 cents, also up 10%.

The Group achieved revenue of $301.7 million, with 2,924 lots settled and EBITDA of $101.3 million, up 11% on FY17, on the back of a strong EBITDA margin of 34%.

There were 2,950 lots sold (down 2% on the previous year), with a gross value of $714.5 million and we had 2,257 contracts on hand valued at $616.0 million at 30 June 2018, compared with 2,186 contracts on hand with a gross value of $545.7 million at 30 June in 2017. The pipeline of contracts on hand across the country at year end provides strong momentum moving into FY19.

Peet also enters FY19 will a strong balance sheet, including low gearing and cash and debt facility headroom of $148.3 million at 30 June 2018, reflecting Peet’s continued focus on prudent capital management.

Capital management initiatives undertaken during the year included the issue of $50 million of Peet Bonds, which further diversified our debt structure. This diversification helped underpin the strong balance sheet and, together with low gearing of 18.2% (compared to 21.4% at 30 June 2017), provides Peet with the capacity to strategically replenish its land bank when opportunities emerge.

Moving into FY19, the Peet Group will continue to strive for business efficiencies and improvements, and implement initiatives that deliver optimal outcomes to our investors, partners and the current and future residents in our communities.

Group Strategy

The Group will continue to target the delivery of 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 primary focus on affordable product.

Key elements of the Group’s strategy for the year ahead and beyond include:

- continuing to deliver high-quality, master-planned communities, adding value and facilitating additional investment in amenity and services wherever possible;
- managing the Group’s land bank of approximately 49,700 lots with a focus on maximising return on capital employed;
- continuing to assess opportunities to selectively acquire residential land holdings in a disciplined manner, predominantly under our funds management platform, and as appropriate to market conditions;
- maintaining a focus on cost and the level of debt; and
- broadening its product offering to Completed Homes and Medium Density.

> "The Group is evolving and broadening its capabilities and offerings to home-buying customers, increasing its focus on Completed Homes and Medium Density products, and to a lesser extent the apartment market."

Traditionally, Peet has been a residential land developer with a focus on replenishing its land bank in a disciplined manner in its core markets of Victoria, Queensland and Western Australia, with opportunistic acquisitions in other states and territories. However, the Group is evolving and broadening its capabilities and offerings to home-buying customers, increasing its focus on Completed Homes and Medium Density products, and to a lesser extent the apartment market.

In recent times, Peet has secured projects to deliver Completed Homes and Medium Density products under its funds management, development and joint arrangements operating segments.

One project, which will deliver traditional product and Completed Homes and Medium Density products is the Brabham project in Western Australia. This project comprises a 220-hectare landholding 22km north east of the Perth CBD and has the potential to yield 3,000 dwellings as well as schools, neighbourhood shops and recreational areas.

As new Completed Homes and Medium Density products are developed, the Group's EBITDA margin is expected to be approximately 28% in FY19, which is within the Group's target through-cycle EBITDA margin range of 25% to 30%.

Outlook

The Peet Group has entered FY19 in a solid position to target growth on FY18 earnings, subject to market conditions and the timing of settlements.

The positive outlook for the Group is generally supported by market fundamentals with sustained low interest rates, strong population growth on the east coast and modest economic growth.

Overall the varied conditions of Australia's residential property market are expected to continue.

The market in Victoria is moderating as expected with more focus placed on location and quality. It remains supported by continuing strong population growth and strong public-sector investment.

Conditions in ACT and South Australia are expected to remain supportive.

The Queensland residential market is expected to continue to improve due to its relative affordability, and while the depth of market in Western Australia continues to show improvement, we do not anticipate a material improvement in sales activity during FY19.

In addition to the Group's breadth of operations, its continued success will be driven by the dedicated Peet team. I take this opportunity to acknowledge and thank the hard-working individuals who operate across every mainland state and territory. They share their expertise, knowledge and enthusiasm for the benefit of all of our shareholders, investors, partners and residents.

I also take this opportunity to thank the Board and shareholders of Peet Limited for their valuable input and support during the year.

Brendan Gore
Managing Director and
Chief Executive Officer

17 October 2018

LIGHTSVIEW, SA

DIVERSITY:
PRODUCT MIX TO RESPOND TO MARKET DEMAND

ATRIA APARTMENTS, ACT

PEET COMPLETE HOME

LIGHTSVIEW, SA

49,700 LOTS

ON-COMPLETION VALUE OF AROUND

$14.0b

2,257

CONTRACTS ON HAND[7]
GROSS VALUE OF

$616.0m

AS AT 30 JUNE 2018

2,924
TOTAL LOTS SETTLED
GROSS VALUE

$711.5m

2,950
TOTAL LOTS SOLD
GROSS VALUE

$714.5m

11% **EBITDA**[8]

$101.3m

STRONG OPERATING CASH FLOWS OF **$118.0 MILLION**[11]

7 Includes equivalent lots. Excludes englobo sales.

8 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $14.1 million (FY17: $15.3 million).

9 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 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.

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

11 Calculated before payments for purchase of land.

THE FY18 RESULTS WERE UNDERPINNED BY CONTINUING FAVOURABLE CONDITIONS ACROSS EAST COAST MARKETS, AND PEET'S DIVERSIFIED PORTFOLIO OF PROJECTS ALLOWED IT TO CAPITALISE ON THE EASTERN STATES' STRENGTH.

The Peet Group achieved a solid result in FY18, recording an operating profit[9] and statutory profit[10] after tax of $49.1 million for the year ended 30 June 2018. This represents an increase of 10% on FY17.

The pleasing profit performance was underpinned by the continuing favourable conditions across the Group's east coast markets, where there was continuing price growth, particularly across the Victoria and ACT/NSW portfolios.

There was also an improvement in total sales and settlements across the Group's Queensland portfolio during the year, on the back of the Flagstone and Eden's Crossing projects.

The Group derived EBITDA[8] of $101.3 million during FY18, compared to $91.1 million in FY17, with a margin of 34% (FY17: 29%). The improved EBITDA[8] and EBITDA[8] margin is predominantly attributable to the price growth achieved across the Victoria portfolio, the settlement of super lots and a continuing focus on efficiencies across the business.

OPERATING AND FINANCIAL REVIEW

> "Strong margins continue to be achieved, with an FY18 EBITDA[12] margin of 34%."

The performance has resulted in earnings per share of 10.02 cents for the year ended 30 June 2018, compared to 9.14 cents per share in FY17, representing an increase of 10%.

The Group has maintained its focus on prudent capital management and, during 1H18, issued $50 million of Peet Bonds, which has further diversified its debt structure.

The Group achieved 2,950 sales (with a gross value of $714.5 million) and 2,924 settlements (with a gross value of $711.5 million) for the full financial year, representing a decrease of 2% and 5%, respectively compared with FY17. Sales were impacted by the varied market conditions around the country, with east coast markets performing strongly during the year and the Western Australian market continuing to be subdued.

Settlements were affected by the timing of lot settlements across projects and the substantial completion of several syndicated Victorian projects during FY17.

Sales and settlements from the Group's Queensland portfolio increased 16% and 64%, respectively, compared to FY17, with the performance underpinned by the continued growth of the Flagstone estate and the first full year of sales from the Eden's Crossing estate.

At 30 June 2018, there were 2,257 contracts on hand[13], with a gross value of $616.0 million, compared with 2,186 contracts on hand[13] with a gross value of $545.7 million at 30 June in 2017.

The Group will continue to focus on delivering high-quality, masterplanned communities and built form projects, adding value and facilitating additional investment in amenity and services wherever possible and deliver a mix of innovative products to meet market demand in the growth corridors of major Australian cities, with a focus on affordable product.

Risk management

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 and invests appropriately to ensure it has the systems, skills and processes in place to manage them.

Project portfolio

The Peet Group's diversified land bank is strategically located in the growth corridors of major cities in every mainland state and territory. The diversity is both geographic and across our Funds Management, Joint Ventures and Development businesses and enables Peet to manage the variable market conditions around the country.

As at 30 June 2018, the Group's total land bank was approximately 49,700 lots with an on-completion value of approximately $14 billion, with more than 75% of all lots within the Funds Management and Joint Venture businesses. The land bank represents approximately 17 years' lot supply based on current sales rates with the Queensland land bank, representing almost 17,400 lots, providing significant exposure to an improving market cycle.

12 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $14.1 million (FY17: $15.3 million).

13 Includes equivalent lots. Excludes englobo sales.

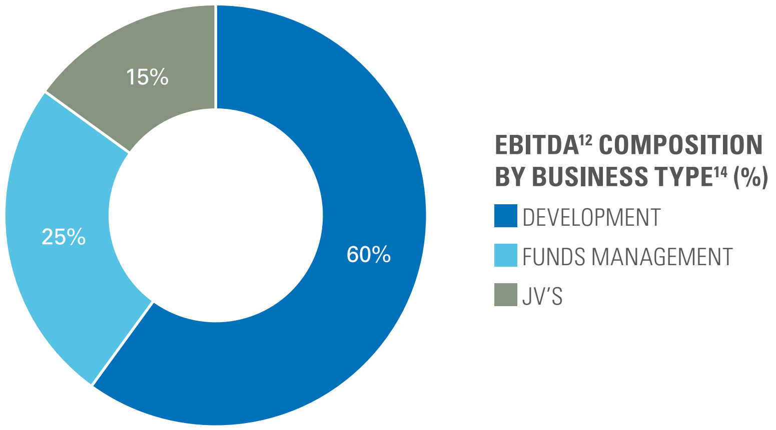
14 Pre-overheads.

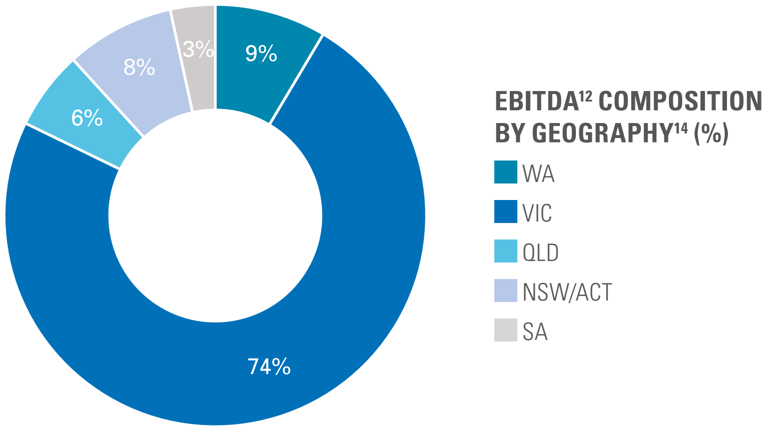
At the end of FY18, approximately 70% of the Group's land bank was in development and this is expected to increase to more than 80% in development by FY20.

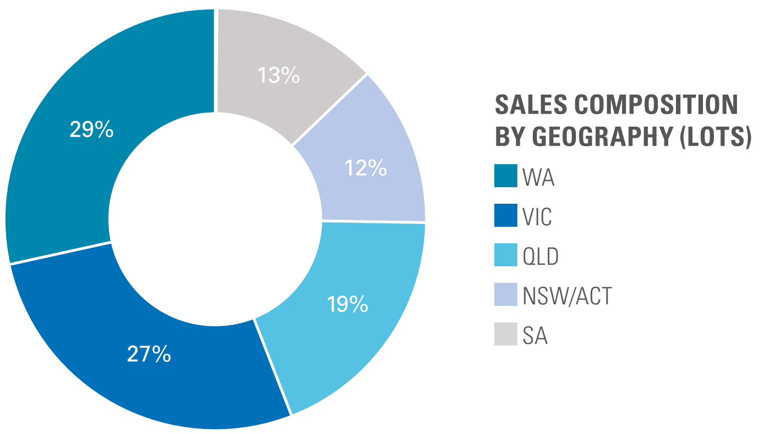
The Group remains disciplined and well positioned in the management of its land bank, with a counter cyclical strategy that allows the Group to capitalise on strong market conditions with a focus on maximising return on capital employed.

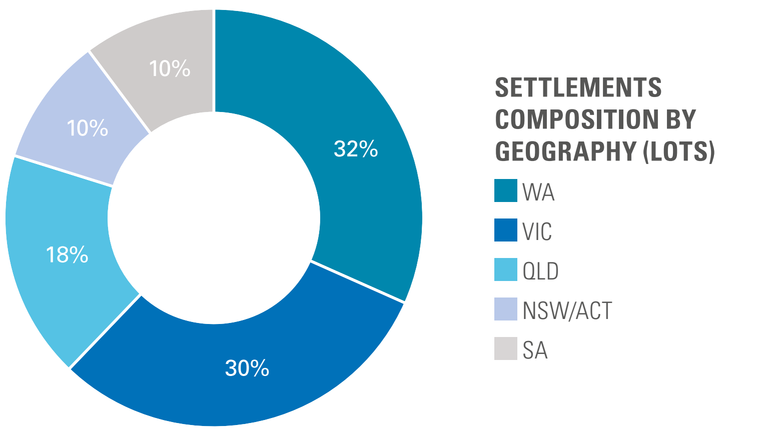
Between FY12 and FY16 Peet secured 2,600 lots and 13,000 lots in Victoria and Queensland, respectively, when pricing and returns were attractive. Over the past three years Peet has strategically targeted further opportunities in Queensland as well as in Western Australia, ensuring a strong market position in improving markets with a low cost base.

There are several new projects (both land and Completed Homes and Medium Density) expected to commence development within the next two years. Approximately 90% of the lots in these projects sit within the Funds Management and Joint Venture businesses. These projects have an average duration of circa 8 years providing visibility of future earnings and cash flows.

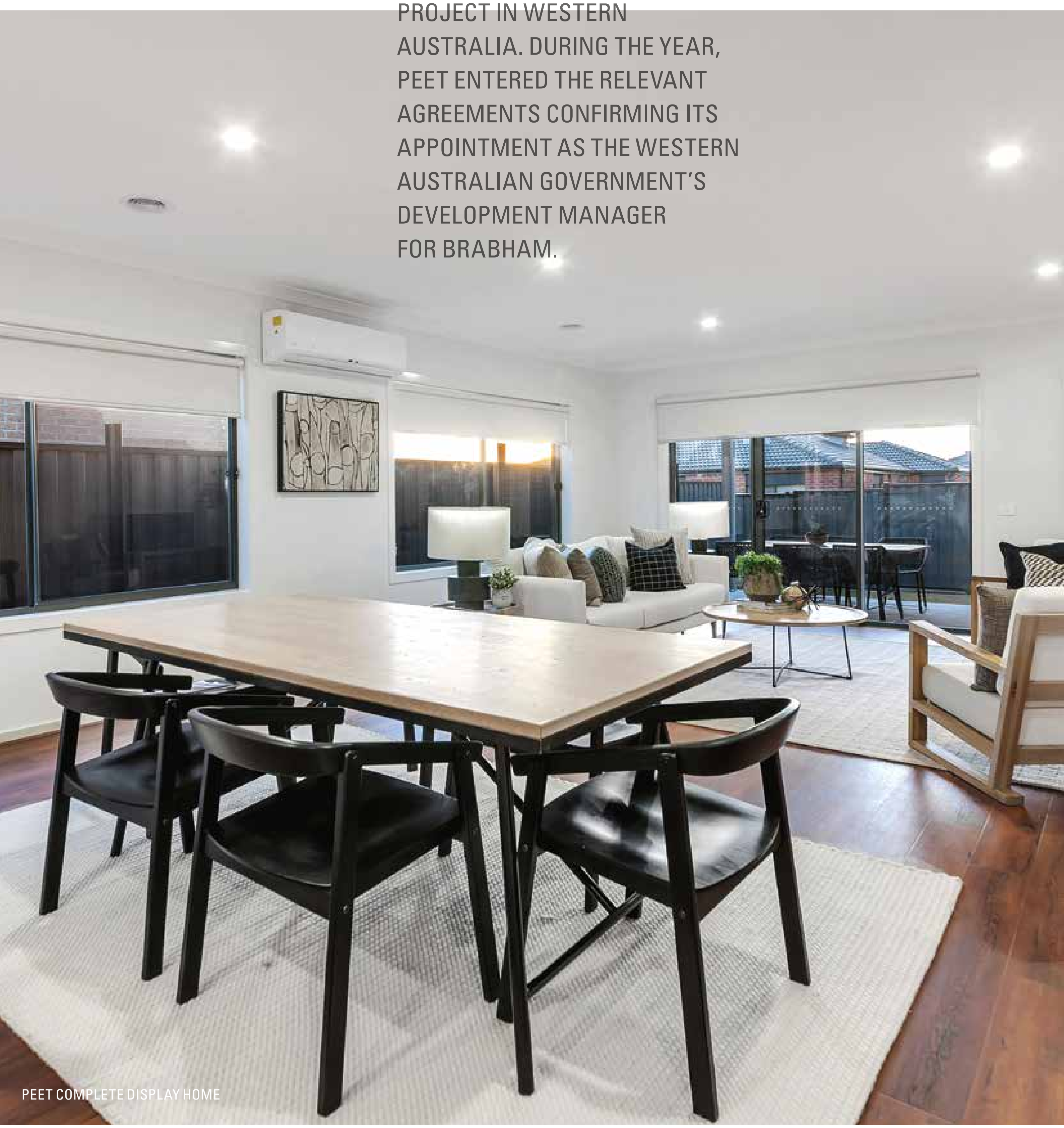








ONE MAJOR PROJECT EXPECTED TO COMMENCE IN THE NEXT TWO YEARS IS THE BRABHAM PROJECT IN WESTERN AUSTRALIA. DURING THE YEAR, PEET ENTERED THE RELEVANT AGREEMENTS CONFIRMING ITS APPOINTMENT AS THE WESTERN AUSTRALIAN GOVERNMENT'S DEVELOPMENT MANAGER FOR BRABHAM.



PEET COMPLETE DISPLAY HOME

15 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.

16 Includes equivalent lots. Excludes englobo sales.

Brabham is a 220-hectare landholding, 22 kilometres north-east of the Perth CBD which will potentially yield more than 3,000 dwellings, as well as schools, neighbourhood shops and recreational areas.

The Group will continue to apply a prudent approach to the restocking of its landbank. Peet will remain focused on securing the right product in the right markets on acceptable returns. It expects future opportunities to emerge as competition for sites reduces due to changing market conditions and will continue to pursue growth with third-party capital partners and through capital-efficient transactions.

Capital management

The Group maintained its focus on prudent capital management during FY18. In the first half of the year it issued $50 million of Peet Bonds, which has further diversified its debt structure. This diversification, a strong increase in cash inflows from operations, up 19% to $118.1 million (before payments for purchase of land) and reduced gearing[15] to 18.2% from 21.4% at 30 June 2017, provides Peet with the capacity to strategically replenish its landbank when opportunities emerge.

As at 30 June 2018, interest-bearing debt (including Peet Bonds) was down to $217.2 million compared with $249.8 million at 30 June 2017, with approximately 91% hedged compared to 89% as at 30 June 2017.

Peet enters FY19 with a strong balance sheet, including cash and debt facility headroom of $148.3 million as at 30 June 2018, and a weighted average debt maturity of over two years.

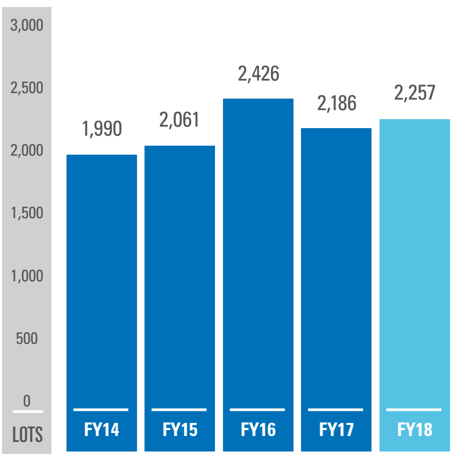
On the basis of this strong financial position and pending the emergence of growth opportunities, the Directors resolved to implement an on-market share buy-back of up to 5% of the Company's issued shares.

Dividend payments

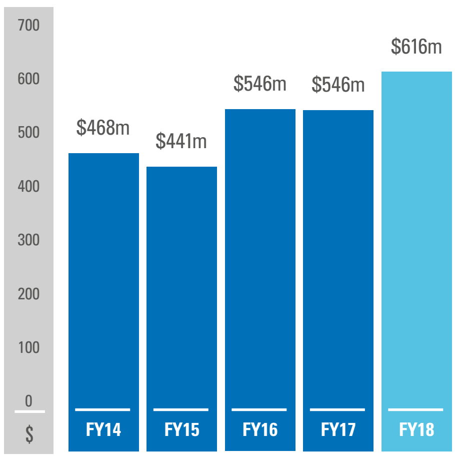
Subsequent to year end, the Directors declared a final dividend for FY18 of 3.0 cents per share, fully franked. This brings the total dividend for FY18 to 5.0 cents per share, fully franked, which is an increase of 5% on the FY17 dividend (4.75 cents per share, fully franked).

The dividend is to be paid on Friday, 5 October 2018, with a record date of Friday, 21 September 2018.

CONTRACTS ON HAND[16] (LOTS)



CONTRACTS ON HAND[16] (VALUE)



Funds MANAGEMENT

BURNS BEACH, WA

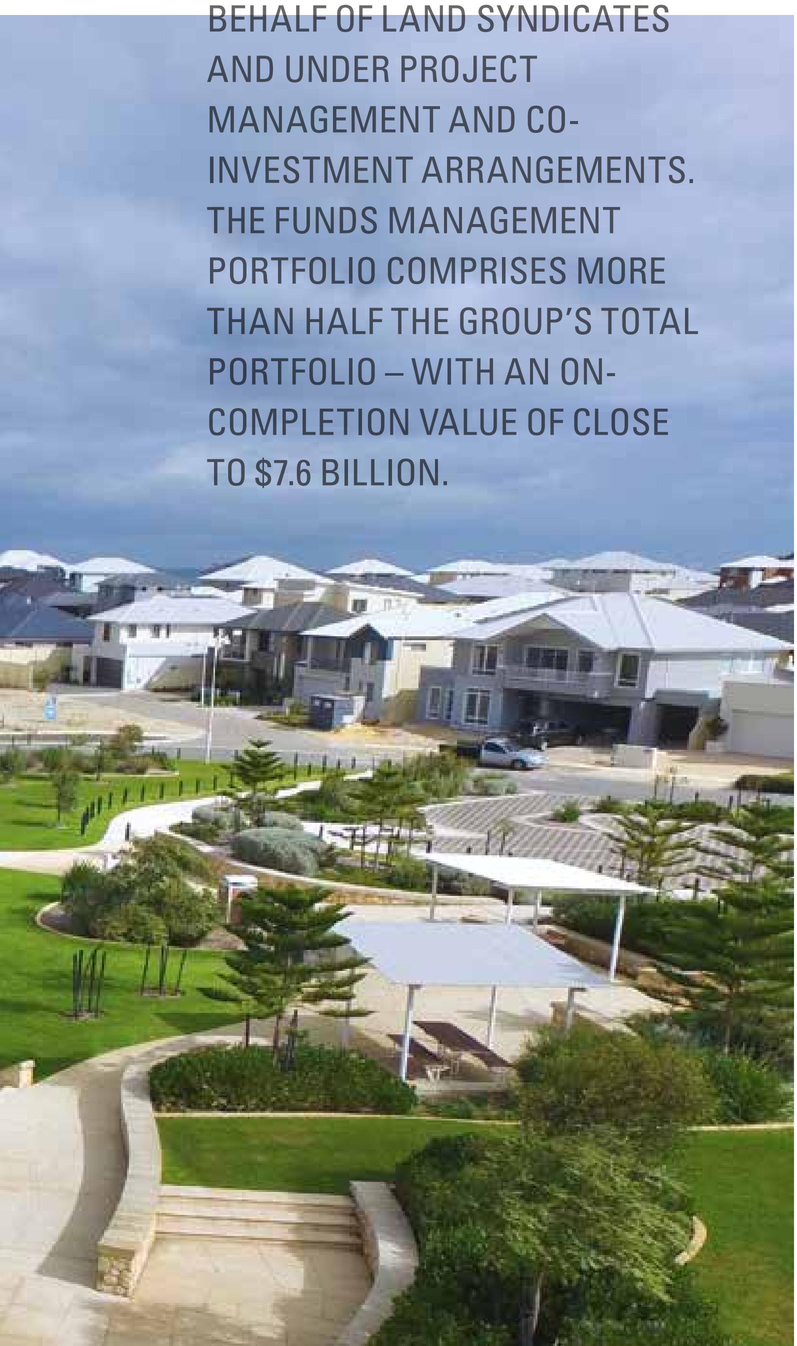
EBITDA[17] MARGIN OF 70%

1,311
CONTRACTS ON HAND[18]
WITH A TOTAL VALUE OF
$310.8m
AS AT 30 JUNE 2018

EBITDA[17]
$28.3m

1,796
TOTAL LOTS SETTLED
GROSS VALUE
$352.6m

1,782
TOTAL LOTS SOLD
GROSS VALUE
$370.0m



THE PEET GROUP MANAGES A NUMBER OF PROJECTS ON BEHALF OF LAND SYNDICATES AND UNDER PROJECT MANAGEMENT AND CO-INVESTMENT ARRANGEMENTS. THE FUNDS MANAGEMENT PORTFOLIO COMPRISES MORE THAN HALF THE GROUP'S TOTAL PORTFOLIO – WITH AN ON-COMPLETION VALUE OF CLOSE TO $7.6 BILLION.

The Funds Management business performed solidly in FY18, with the strong performance of projects in the Victorian and Queensland markets being offset by the performance of projects in the weaker Western Australian market, and the substantial completion of several syndicate projects including Greenvale and Tarneit in Victoria.

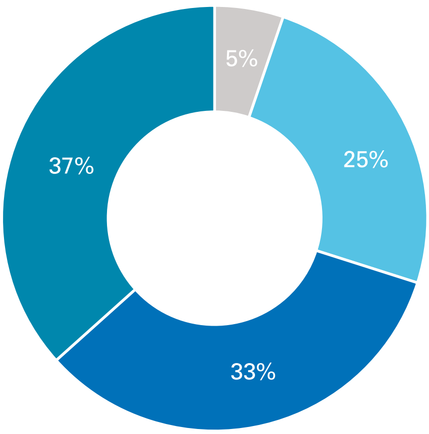
There were 1,782 lot sales across the Group's Funds Management projects during the year with a gross value of $370.0 million, compared to 1,756 lots with a gross value of $419.5 million in FY17. A total of 1,796 lots were settled with a gross value of $352.6 million, compared to FY17 which saw 1,912 settlements with a gross value of $466.6 million.

As at 30 June 2018, there were 1,311 contracts on hand[18], with a gross value of $310.8 million.

The Funds Management business continues to provide the Group a solid, capital-lite earnings base and, during FY18, represented 25% of the Group's EBITDA. While fee revenue was impacted by the substantial completion of several Victorian projects in FY17, decreasing to $35.2 million from $48.3 million in FY17, it is expected to increase in FY19.

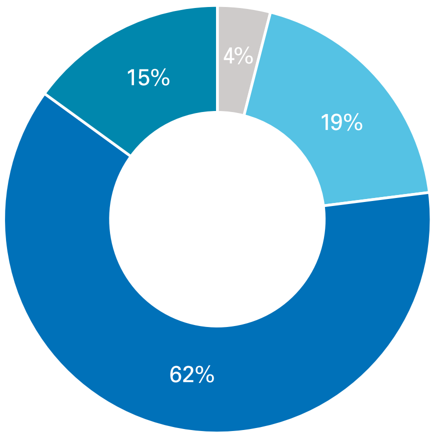
17 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates.

18 Includes equivalent lots.



FM SALES COMPOSITION BY GEOGRAPHY (LOTS)

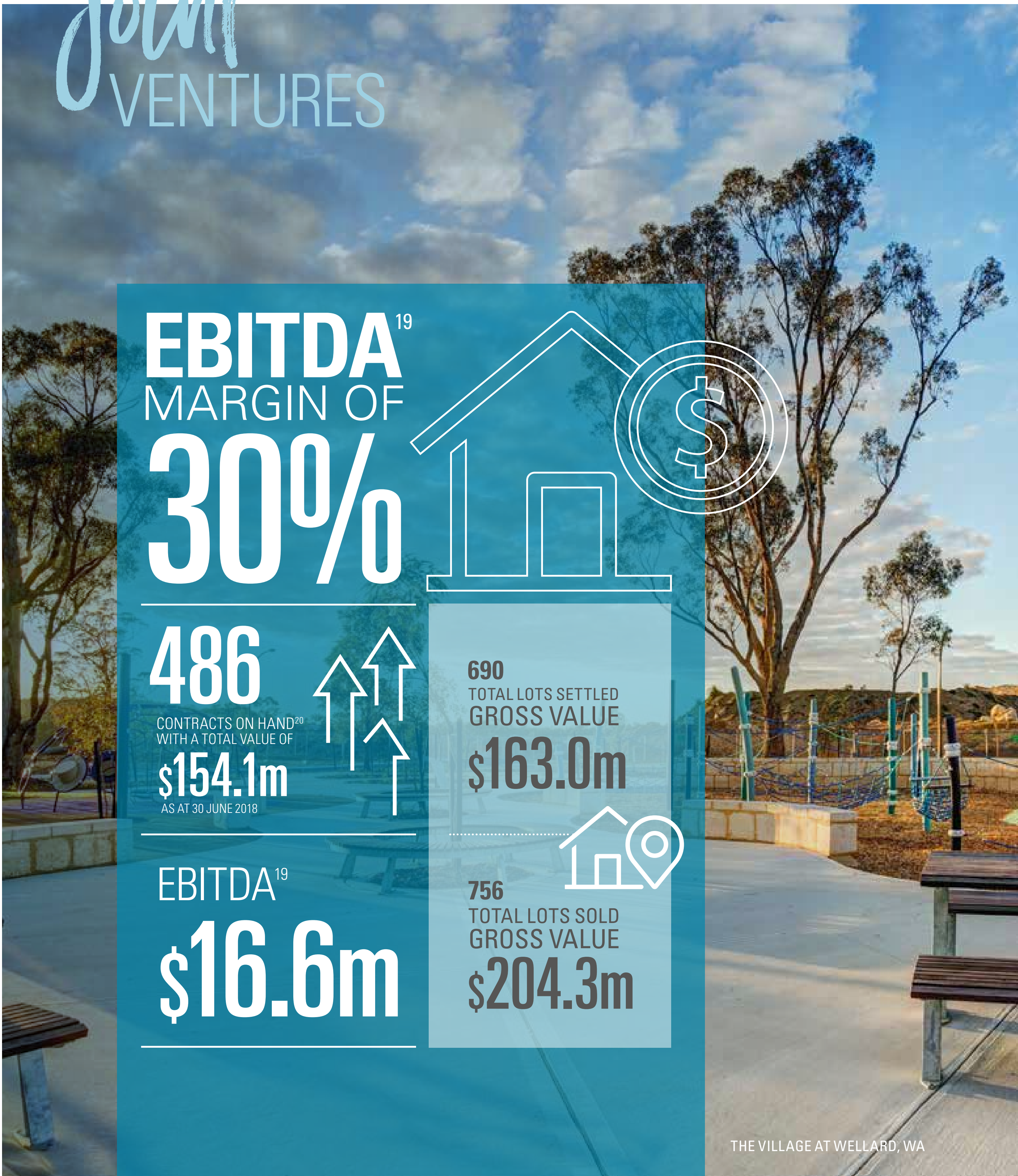
WA VIC QLD SA



FM EBITDA[17] COMPOSITION BY GEOGRAPHY (%)

WA VIC QLD SA

Joint VENTURES



EBITDA[19] MARGIN OF 30%

486
CONTRACTS ON HAND[20]
WITH A TOTAL VALUE OF
$154.1m
AS AT 30 JUNE 2018

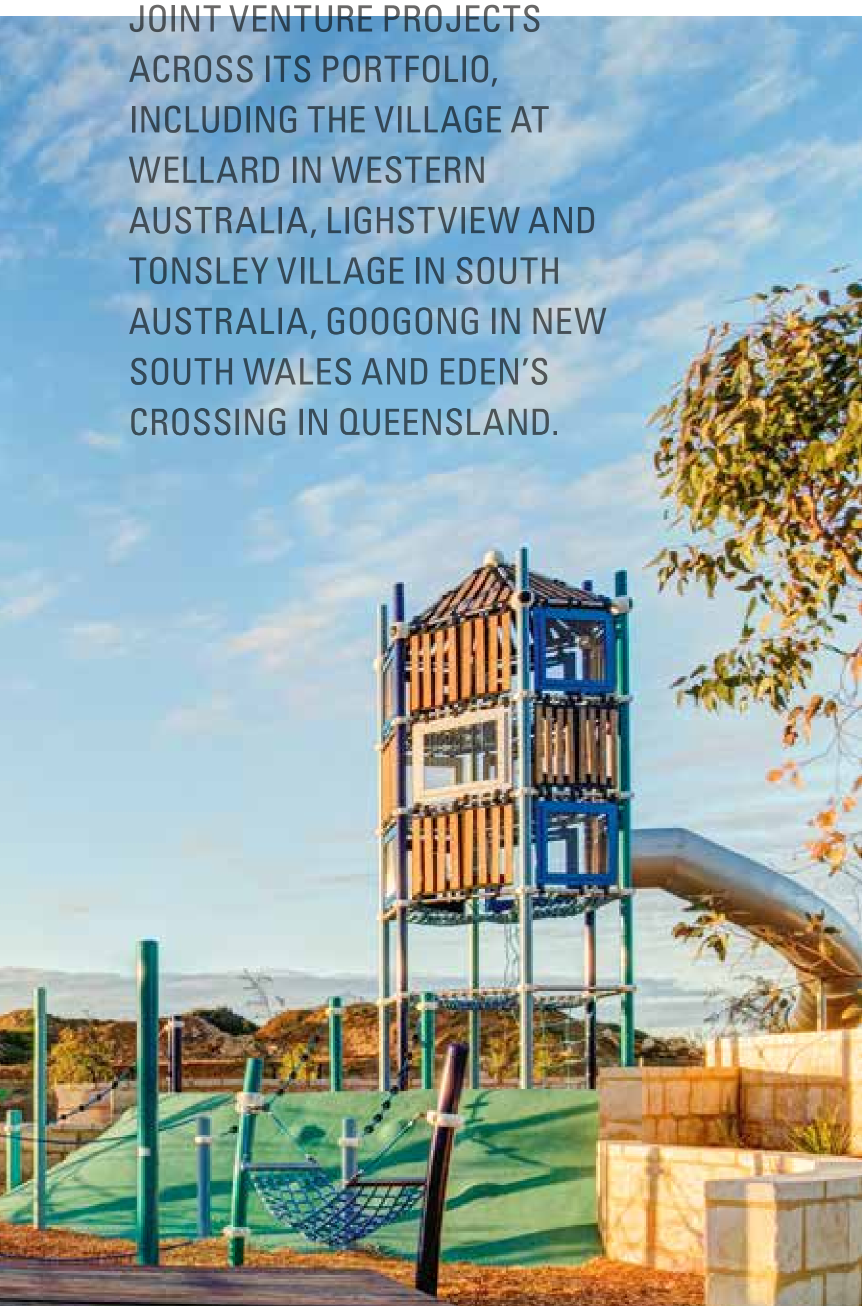
690
TOTAL LOTS SETTLED
GROSS VALUE
$163.0m

EBITDA[19]
$16.6m

756
TOTAL LOTS SOLD
GROSS VALUE
$204.3m

THE VILLAGE AT WELLARD, WA

THE PEET GROUP HAS A NUMBER OF HIGH PROFILE JOINT VENTURE PROJECTS ACROSS ITS PORTFOLIO, INCLUDING THE VILLAGE AT WELLARD IN WESTERN AUSTRALIA, LIGHSTVIEW AND TONSLEY VILLAGE IN SOUTH AUSTRALIA, GOOGONG IN NEW SOUTH WALES AND EDEN'S CROSSING IN QUEENSLAND.



There were 756 lots sold during the year with a gross value of $204.3 million, compared with 735 lots sold for $191.2 million in FY17. A total of 690 lots settled for a gross value of $163.0 million, compared with 741 settlements in FY17 with a gross value of $189.9 million.

As at 30 June 2018, there were 486 contracts on hand[20] with a gross value of $154.1 million.

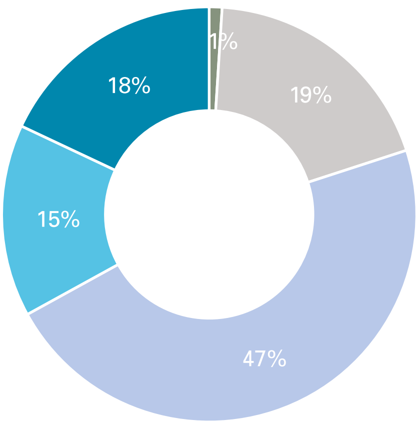
FY18 saw a reduced contribution from the Group's Joint Venture projects, predominantly due to the product mix at Lightsview in South Australia, and timing of settlements at Googong in New South Wales. This was partially offset by the commencement of earnings from Eden's Crossing in Queensland.

EBITDA[19] derived during FY18 was $16.6 million, down 22% on FY17 on an EBITDA[19] margin of 30%, 5% lower than FY17.

At year end, the Group's Joint Venture projects comprised more than 11,300 lots, with an estimated on-completion value of just over $3.4 billion.

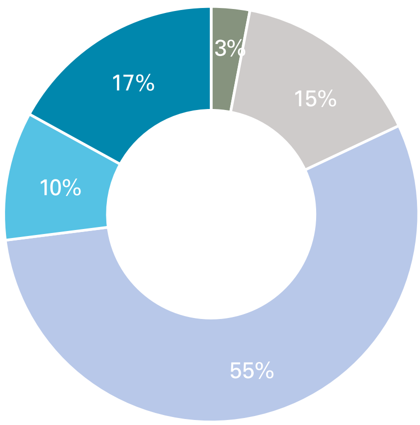
19 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in JVs.

20 Includes equivalent lots.



JV SALES BY GEOGRAPHY (LOTS)

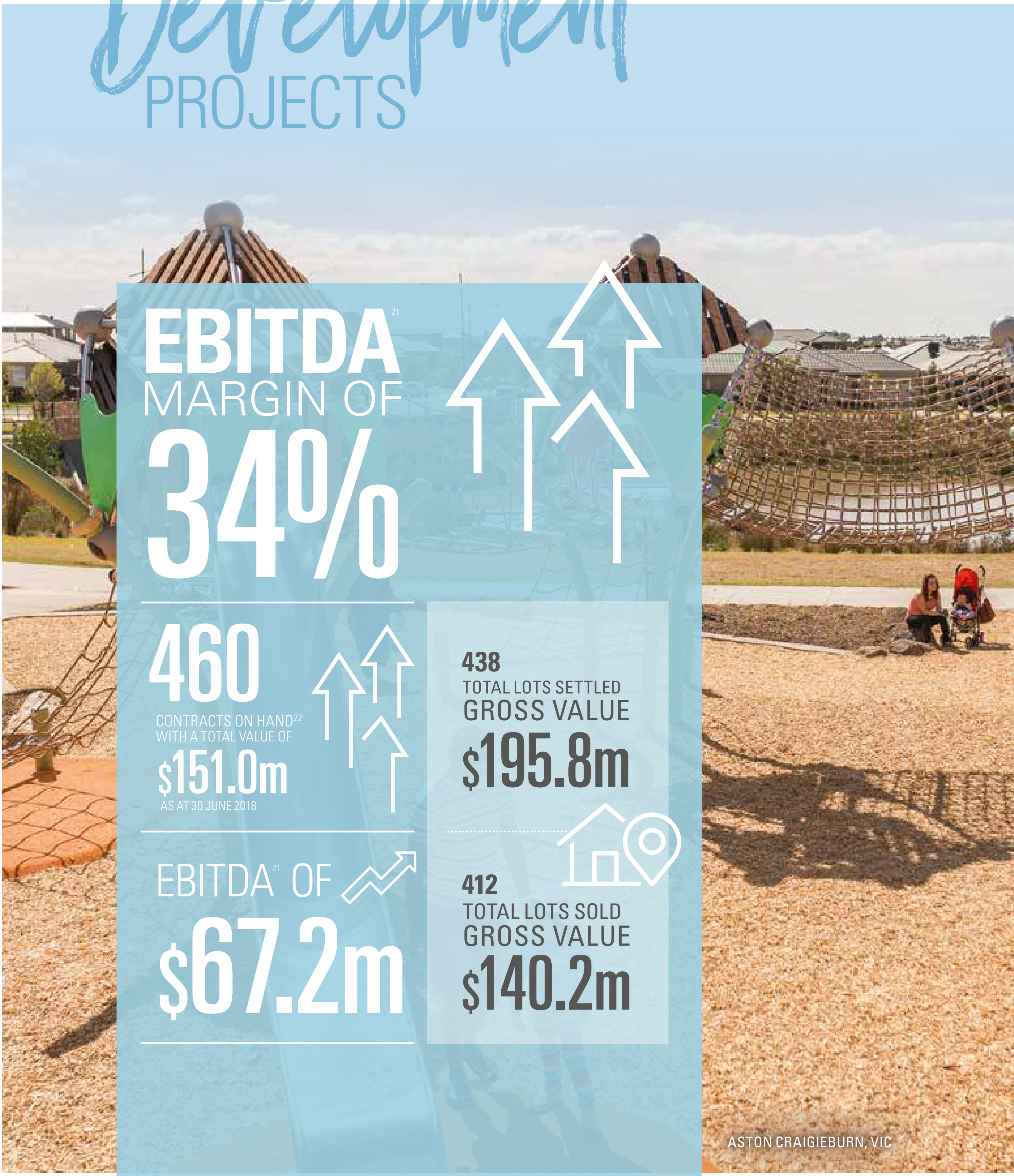
WA QLD NSW/ACT NT SA



JV EBITDA[19] COMPOSITION BY GEOGRAPHY (%)

WA QLD NSW/ACT NT SA

Development PROJECTS



ASTON CRAIGIEBURN, VIC

EBITDA[21] MARGIN OF **34%**

460 CONTRACTS ON HAND[22] WITH A TOTAL VALUE OF **$151.0m** AS AT 30 JUNE 2018

EBITDA[21] OF **$67.2m**

438 TOTAL LOTS SETTLED GROSS VALUE **$195.8m**

412 TOTAL LOTS SOLD GROSS VALUE **$140.2m**

A TOTAL OF 438 LOTS SETTLED FOR A GROSS VALUE OF $195.8 MILLION, COMPARED WITH 424 SETTLEMENTS IN FY17 WITH A GROSS VALUE OF $187.8 MILLION.

There were 412 lots sold during the year with a gross value of $140.2 million, compared with 509 lots sold for $249.6 million in FY17.

As at 30 June 2018, there were 460 contracts on hand[22] with a gross value of $151.0 million.

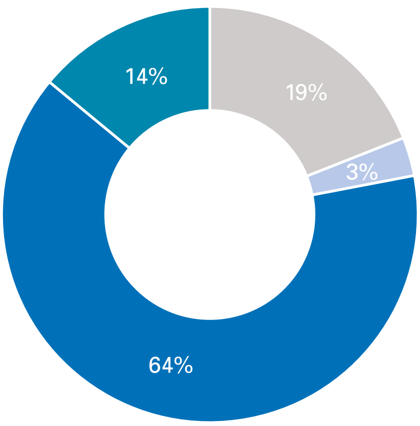
The increase in contribution from the Group's Development projects in FY18 was underpinned by the strong Victorian market, with Aston continuing to be a significant contributor and the first settlements being achieved at Summerhill. The first settlements at Lightsview Apartments in South Australia and the settlement of super lots also provided positive contributions. Sales at Tonsley Village in Adelaide also commenced during the year and settlements will commence in FY19.

EBITDA[21] was 54% higher than the previous year, increasing to $67.2 million in FY18, with an EBITDA margin of 34%, up 11% on FY17.

At year end, the Peet Group's Development projects comprised more than 11,600 lots, with an estimated on-completion value of more than $2.7 billion.

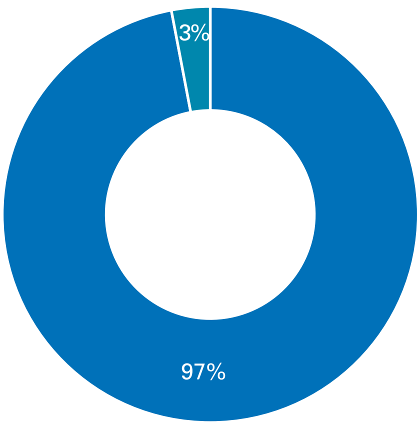
21 EBITA is a non-IFRS measure.

22 Includes equivalent lots. Excludes englobo sales.



DEVELOPMENT SALES COMPOSITION BY GEOGRAPHY (LOTS)

WA VIC NSW/ACT SA



DEVELOPMENT EBITDA COMPOSITION BY GEOGRAPHY (%)

WA VIC

FOCUSING ON *Sustainability*

FLAGSTONE, QLD

> "As industry leaders, we not only build or facilitate the provision of infrastructure and amenities that support communities."

PEET COMMUNITIES BECOME A PERMANENT PART OF AUSTRALIA'S URBAN FABRIC – THAT'S WHY SUSTAINABILITY IS A KEY PART OF WHAT WE DO. WE FOCUS ON PLANNING, DESIGNING AND DEVELOPING COMMUNITIES THAT CAREFULLY BALANCE THE ENVIRONMENTAL, SOCIAL AND ECONOMIC NEEDS OF EVERY PROJECT.

As industry leaders, we not only build or facilitate the provision of infrastructure and amenities that support communities, like roads, parks and other public open spaces, schools, neighbourhood centres and services, we ensure homes are integrated with existing landscapes, industries and neighbouring communities so they may grow sustainably over time.

SOME OF THE HIGHLIGHTS DURING THE 2018 FINANCIAL YEAR INCLUDED:

Outdoor classroom at Lakelands

A unique learning opportunity is now available at Lakelands Estate, south of Perth, following the completion of an outdoor classroom as part of the development and landscaping of Black Swan Lake. Purpose-built to help the community learn about and connect to the area's rich environmental and indigenous heritage, the outdoor classroom is available for all schools in the area to use and can seat up to 30 students.

Launch of Tonsley Village

A joint venture with Renewal SA, Tonsley Village is an important part of the award-winning Tonsley Innovation District 10km south of the Adelaide CBD. The $265 million residential precinct comprises 11-hectares and will offer more than 850 modern terraces and apartments, and 1.5ha of public open space. Affordability is a key focus with a minimum of 15% of the homes to be priced at an affordable price point, accessible to first home owners.

With its proximity to Flinders University and Flinders Medical Centre as well as a host of other established businesses, institutions and other amenity, Tonsley Village is an extremely well-located community contributing to the social and economic sustainability of the region.

Employment opportunities at Flagstone

Activity within the Group's Flagstone project is growing, with several sales of commercial property bringing early amenity to the first residents – and addressing economic, social and environmental sustainability through job opportunities, easy access to quality amenities and reducing the need for on-road transport.

A 7 Eleven service station, complete with a drive-through fast food and coffee outlet, opened during the year, bringing with it the first of a projected 10,000 new jobs that will be delivered as the city centre grows.

INNOVATION:

WORLD-CLASS DESIGN AND THE LATEST TECHNOLOGY

> "The "circle of life" ceremony celebrated the connection between the Googong community and the land."

Construction of a shopping centre at Flagstone was also well underway at year end, and on track to open by the end of the 2018 calendar year. The centre is anchored by an IGA supermarket and complemented by other leading retailers including BWS, Domino's and Snap Fitness. Coles has also purchased a site with plans to develop a supermarket and specialty stores.

Celebrating Indigenous heritage

Four prominent landmarks in the new township of Googong (NSW) were given Aboriginal names to promote cultural sustainability, in recognition of the area's Indigenous heritage which dates back more than 20,000 years.

Representatives of the Traditional Owners performed a traditional welcome to country and naming ceremony, with didgeridoo accompaniment, to formalise the process. The "circle of life" ceremony celebrated the connection between the Googong community and the land. The names were selected by the Ngunawal people, in their traditional language, and have been gazetted by the NSW State Government.

Bridge to the future

A multi-million-dollar traffic bridge over the Brisbane-Sydney rail line was opened by Queensland Deputy Premier Jackie Trad during the year, connecting the future Flagstone CBD and 12,000-lot residential development west of the line, with the existing community of Flagstone Rise, to the east.

The revolutionary solar "car of the future", Arrow 1, was the first to cross the bridge into the future satellite city of Flagstone. The two-lane bridge has been majority funded through a $5 million catalyst infrastructure funding arrangement between Peet and our Flagstone development partner MTAA Super, and Economic Development Queensland.

Peet communities become home

Two Peet communities welcomed their first residents during the year.

In August 2017, the first of 1,000 households moved into Movida Estate, and by year end more than 200 lots had been sold at this growing community in Perth's north eastern suburbs.

In Melbourne's west, the Queen's Birthday long weekend marked 'move in date' for the first group of homebuyers at Cornerstone in Werribee. This masterplanned community will ultimately be home to more than 900 houses and will include cycle and walking paths, two parks and is positioned opposite 23ha of open space earmarked for sports and recreation development.

SUSTAINABILITY:

AT THE HEART OF PLANNING, DESIGN AND DELIVERY

GOOGONG, NSW

MOVIDA ESTATE, WA

PEET IN THE Community

SHOREHAVEN ALKIMOS, WA

> “We also provide opportunities for people to come together to enjoy common experiences and to create a sense of community ownership and connection.”

THE REAL SUCCESS OF ANY COMMUNITY IS IN THE CONNECTIONS WE ARE ABLE TO MAKE, AND IN THE LIFESTYLE WE ARE ABLE TO LIVE. AT PEET, WE PLAN OUR COMMUNITIES AROUND THE PEOPLE WHO ARE GOING TO LIVE IN THEM – WITH A DIVERSE RANGE OF HOUSING OPTIONS TO SUIT ALL AGES AND STAGES OF LIFE, WITH PLACES TO MEET AND PLAY, PATHWAYS CONNECTING FRIENDS AND FAMILIES, RETAIL PRECINCTS AND COMMERCIAL AREAS WITH ALL LIFE’S CONVENIENCES, AND SHARED COMMUNITY FACILITIES THAT ENCOURAGE A DIVERSE AND HEALTHY SOCIAL LIFE.

We also provide opportunities for people to come together to enjoy common experiences and to create a sense of community ownership and connection. Through the Group’s Community Partnership Program, we support the establishment and growth of local organisations that help build local community capacity.

SOME OF THE HIGHLIGHTS DURING THE 2018 FINANCIAL YEAR INCLUDED:

Community and corporate partnerships

Throughout the 2018 financial year we were pleased to support more than 30 local groups and organisations, and to continue working alongside four corporate partners; Military Art Program Australia, Alongside, Legacy Australia’s Operation Legacy Australia Kokoda Challenge 2017 and the Santos UCI Tour Down Under.

Local groups and organisations supported include sporting teams like the Bellbridge Cricket Club (Vic), Lightsview Cycling team (SA), the Swimming WA – Open Water Swim series event at Shorehaven at Alkimos, and the Yanchep Bowls Club (WA); community groups such as the Golden Bay Playgroup, Rockingham and Districts Toy Library (WA) and the Flagstone Community Association (Qld); and environmental initiatives like tree planting days at Googong (NSW) and Lakelands Estate (WA).

Legacy across the ages

In August 2017, a group of 24 junior legatees and 15 current serving combat veterans came together to walk the 96km Kokoda Track in Papua New Guinea, with the backing and support of Peet. Operation Legacy Australia Kokoda Challenge 2017 commemorated the 75th anniversary of the Kokoda campaign and provided an opportunity for the legatees to develop leadership and teamwork skills.

LEGACY:
SUPPORTING YOUTH DEVELOPMENT

> "The Lightsview Ride Like Crazy event has attracted over 12,000 riders and donated in excess of $1.5 million to charity."

Googfest 2018

Googfest continues to grow as 10,000 locals relaxed on picnic rugs to enjoy Canberra's home-grown talent. Promoters put a call out for musicians to self-nominate for the concert and local artists Sophie Edwards, Ned Philpot, Mondecreen and The Baker Boys Band made it through the tough selection process to entertain the crowd before home-grown headliners, The Aston Shuffle, had the residents on their feet and dancing ahead of spectacular fireworks.

Flagstone School Colour Run

The inaugural Peet Colour Obstacle Run was held at Flagstone to help raise funds for the Flagstone State School. Participants ran through obstacles such as the tyre hop, mud hill, hay bale mountain, water arch and rope maize with coloured chalk and water pistols in the event organised by the school's P&C to raise funds to install air conditioning in the prep and junior classrooms of the primary school.

Lightsview Ride Like Crazy

Lightsview has been the major sponsor of the Lightsview Ride Like Crazy since 2010. The event has attracted over 12,000 riders and donated in excess of $1.5 million to charity. In addition to supporting worthy charities, Lightsview Ride Like Crazy provides the opportunity to shine the spotlight on promoting wellbeing and road safety.

Introducing a 'Shore Thing'

The 'Shore Thing' event series was introduced at Shorehaven at Alkimos on Perth's north coast during the year. The series was carefully designed to offer a calendar of events that provides opportunities for residents and purchasers to meet and connect with each other. The first two events – 'Easter Maze' in March and 'Build Your Community' in June – were both very well supported, with in excess of 1,000 people having attended Shore Things events by the end FY18.

COMMUNITY SUPPORT:

CREATING OPPORTUNITIES TO MEET, PLAY AND CONNECT

COMMUNITY:

MAKING REAL SOCIAL CONNECTIONS TO FEEL A SENSE OF BELONGING


Wellard Station
ARD

PROMOTING HEALTHY ACTIVE *Lifestyles*

YANCHEP GOLF ESTATE, WA

"Our public spaces and variety of facilities encourage and promote an active, healthy lifestyle."

CREATING THRIVING COMMUNITIES

AUSTRALIAN LIFESTYLES ARE EVOLVING AND PEET IS CREATING COMMUNITIES THAT RESPOND TO THE CHANGING NEEDS OF HOMEBUYERS AT ALL STAGES OF LIFE. RESIDENTS ACROSS THE COUNTRY ARE MAKING THE MOST OF THE SHARED SPACES IN OUR COMMUNITIES – PARKS AND OPEN SPACES THAT ARE DESIGNED AS A KIND OF 'COMMUNAL BACKYARD' WITH PLACES TO GET ACTIVE AND ALSO RELAX.

Peet's communities embrace modern urban planning and design principles and build on them to create places that are tailored for each individual location and community. Our public spaces and variety of facilities encourage and promote an active, healthy lifestyle – and the opportunity to relax with friends and family in a community setting.

SOME OF THE HIGHLIGHTS DURING THE 2018 FINANCIAL YEAR INCLUDED:

Dog parks at Flagstone and Riverbank

The Flagstone dog park was developed as the first stage of a multi-million-dollar regional park open to the residents of Flagstone. The dog park features a canine water activity with in-ground spouts and dog tunnels through cave-like heaped rocks. The Riverbank residents are also benefiting from a new dog park which opened as part of the new Harvey Park at the centre of Peet's residential community.

Yanchep Golf Estate's newest park

Stage one of the landmark two-hectare park was opened at Yanchep Golf Estate during the year, with a grassed kick-about area, barbecue and picnic facilities, shade structures and seating, a "shipwreck" themed play area, flying fox, tunnel and balancing ropes and a climbing mound, slide, sand and water play elements and monkey bars.

This is the third park and one of 20 different parks and open spaces planned for Yanchep Golf Estate and joins the award-winning Victory Park and Pocket Park.

The Village at Wellard 'Healthy Active by Design'

During the year, our award-winning The Village at Wellard community south of Perth was featured as a case study by the Heart Foundation's Healthy Active by Design program, shining a spotlight on its many design features which support healthy and active living.

The Village at Wellard is a sustainable, transit-focused development, with regional and local connectivity which creates a user-friendly movement network. Careful and clever design has ensured that most residents live within 800m of the Wellard Train Station, and the inclusion of shops, public open space and schools means residents have access to everything they need to live a healthy, active and connected life.

Street orienteering at Googong

Residents of Googong took to the streets to try their hand at street orienteering. Participants (either individual or teams) were given a map with 20 checkpoints and, depending on which course they selected, had to find at least some of the checkpoints, providing people a great reason to get out and explore the neighbourhood.

Parkindula Village

At the heart of our Bluestone community in Mt Barker, South Australia is Parkindula Village, which now comprises the fully restored historic Parkindula Homestead, which houses the Bluestone Sales and Information Centre, and a new premium display village. This impressive new community hub will also soon include high-quality recreational facilities, barbeque facilities, landscaped parklands, adventure playground, and hiking and cycling trails which were all under construction at year end.

Corporate CALENDAR

21 September 2018
Record date for final FY18 dividend

5 October 2018
Payment date of final FY18 dividend

5 October 2018
Interest payment date for Peet Bond holders (PPCHB)

17 October 2018
Annual Report and notice of AGM dispatched to shareholders

21 November 2018
2018 AGM at the Parmelia Hilton Perth Hotel, Mill Street, Perth WA at 10.00am (WST)

17 December 2018
Interest payment date for Peet Bond holders (PPCHA)

7 January 2019
interest payment date for Peet Bond holders (PPCHB)

February 2019
Release of results for the half year ending 31 December 2018

5 April 2019
Interest payment date for Peet Bond holders (PPCHB)

17 June 2019
Interest payment date for Peet Bond holders (PPCHA)


SHOREHAVEN ALKIMOS, WA

FINANCIALS
2018

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 2018 ('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; and in January 2007 he was appointed inaugural Chief Operating Officer.

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; a Fellow of the Governance Institute of Australia and a Fellow of the Chartered Institute of Secretaries and Administrators.

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, FAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Trevor Allen joined Peet in April 2012, with almost four decades of experience in the corporate and financial sectors, primarily as a corporate and financial advisor 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 and Fresh Dairy One Pty Ltd.

In addition, Mr Allen is Non-executive Director of Eclipx Group Limited, where he chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He has recently been appointed as a non-executive director of TopCo Investments Pte Ltd, a Singapore company which is the holding company of Real Pet Food Company Limited.

Until recently Mr Allen was a Non-executive Director of Yowie Group Limited and Brighte Capital Pty Limited.

Prior to Mr Allen's Non-executive roles, he held 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. At the time of his retirement from KPMG in 2011 he was the lead partner in its National Mergers and Acquisitions group.

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 Chair of its People and Performance Committee.

ROBERT MCKINNON
FCPA, FCIS, 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 is also a former Non-executive Director of Bankwest, Brierty Limited, Programmed Maintenance Services Limited and Tox Free Solutions 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 master-planned 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 250 people in offices throughout Australia. As at 30 June 2018, the Group managed and marketed a land bank of more than 49,000 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 $49.1 million, up 10%
- Earnings per share of 10.02 cents, up 10%
- FY18 dividends of 5.0 cents per share, fully franked, up 5%
- Revenue[4] of $301.7 million with 2,924 lots settled
- EBITDA[5] of $101.3 million, up 11%
- EBITDA[5] margin of 34%
- 2,257 contracts on hand[6] as at 30 June 2018
- Gearing[7] of 18.2%
- Strong operating cash flows (before payments for purchase of land) of $118 million for FY18

FINANCIAL COMMENTARY

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $49.1 million for the year ended 30 June 2018, which represents an increase of 10% on FY17. This represents a solid result underpinned by the continuing favourable conditions across the Group's east coast markets, with price growth continuing to be achieved, particularly across the Victoria and ACT/NSW portfolios. FY18 also saw total sales and settlements improve across the Group's Queensland portfolio on the back of Flagstone and Eden's Crossing.

The Group derived EBITDA[5] of $101.3 million during FY18, compared to $91.1 million in FY17, with a margin of 34% (FY17: 29%). The improved EBITDA[5] and EBITDA margin is predominantly attributable to the price growth achieved across the Victoria and Queensland portfolio, the settlement of super lots and a continuing focus on efficiencies across the business.

The performance has resulted in earnings per share of 10.02 cents for the year ended 30 June 2018, compared to 9.1 cents per share in FY17, representing an increase of 10%.

The Group has maintained its focus on prudent capital management and during 1H18, issued $50 million of Peet Bonds, which has further diversified its debt structure. This diversification helps underpin a strong balance sheet and, together with low gearing[7] of 18.2% (compared to 21.4% at 30 June 2017), provides Peet with the capacity to strategically replenish its landbank when opportunities emerge.

1 Comparative period is 30 June 2017, 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 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 Includes statutory revenue of $287.6 million (FY17: $296.0 million) and share of net profits from associates and joint ventures of $14.1 million (FY17: $15.3 million).
5 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $14.1 million (FY17: $15.3 million).
6 Includes equivalent lots. Excludes englobo sales.
7 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)

OPERATIONAL COMMENTARY

The Group achieved 2,950 sales (with a gross value of $714.5 million) and 2,924 settlements (with a gross value of $711.5 million) for the full year, representing a decrease of 2% and 5%, respectively compared with FY17. Sales were impacted by the varied market conditions around the country, with east coast markets performing strongly during the year and the Western Australian and Northern Territory markets continuing to be subdued. Settlements were affected by the timing of lot settlements across projects and the substantial completion of several syndicated Victorian projects during FY17.

Sales and settlements from the Group's Queensland portfolio increased 16% and 64%, respectively, compared to FY17, with the performance underpinned by the continued growth of the Flagstone estate and the first full year of sales from the Eden's Crossing estate.

At 30 June 2018, there were 2,257 contracts on hand[8], with a gross value of $616.0 million, compared with 2,186 contracts on hand[8] with a gross value of $545.7 million at 30 June in 2017. The pipeline of contracts on hand at year end provides strong momentum into FY19.

Funds management projects

The Group's Funds Management business performed solidly in FY18, with the strong performance of projects in the Victorian and Queensland markets being offset by the performance of projects in the weaker Western Australia market and the substantial completion of sales in several syndicates in FY17 (Greenvale (Vic) and Haven (Vic)).

- 1,782 lots sold for a gross value of $370.0 million, compared with 1,756 lots ($419.5 million) in FY17.
- 1,796 lots settled for a gross value of $352.6 million, compared with 1,912 lots ($466.6 million) in FY17.
- 1,311 contracts on hand[9] as at 30 June 2018 with a total value of $310.8 million, compared with 1,328 contracts[9] ($294.9 million) as at 30 June 2017.
- EBITDA[10] of $28.3 million compared with $36.7 million in FY17.
- EBITDA[10] margin remains consistent at 70%, as per FY17.

Development projects

The increase in contribution from the Group's Development business is underpinned by the strong Victorian market. The Aston (Vic) project continued to be a significant contributor to earnings during the year, the first settlements were achieved at the Summerhill (Vic) and Lightsview Apartments (SA) projects and the settlement of super lots also contributed to FY18 performance.

The timing of new stage releases in 2H18 and the minimising of investor sales to less than 15% of sales contributed to the fall in sales in FY18.

- 412 lots sold for a gross value of $140.2 million, compared with 509 lots ($249.6 million) in FY17.
- 438 lots settled for a gross value of $195.8 million, compared with 424 lots ($187.8 million) in FY17.
- 460 contracts on hand[8] as at 30 June 2018 with a total value of $151.0 million, compared with 438 contracts[8] ($138.0 million) as at 30 June 2017.
- EBITDA[10] of $67.2 million compared with $43.7 million in FY17.
- EBITDA[10] margin of 34%, compared with 23% in FY17.

8 Includes equivalent lots. Excludes englobo sales.
9 Includes equivalent lots.
10 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $14.1 million (FY17: $15.3 million).

3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

Joint arrangements

The reduced contribution from the Group's Joint arrangements business in FY18 is predominantly due to reduced contributions from Lightsview JV (SA) due to product mix and at Googong (NSW) due to timing of settlements. This has been partially offset by the commencement of earnings from Eden's Crossing (Qld).

- 756 lots sold for a gross value of $204.3 million, compared with 735 lots ($191.2 million) in FY17.
- 690 lots settled for a gross value of $163.0 million, compared with 741 lots ($189.9 million) in FY17.
- 486 contracts on hand[9] as at 30 June 2018 with a total value of $154.1 million, compared with 420 contracts[9] ($112.8 million) as at 30 June 2017.
- EBITDA[10] of $16.6 million compared with $21.2 million in FY17.
- EBITDA[10] margin of 30%, compared with 35% in FY17.

Land portfolio metrics

	FY18	FY17	Change
Lot sales	2,950	3,000	(1.7%)
Lot settlements	2,924	3,077	(5.0%)
Contracts on hand as at 30 June[9]			
– Number	2,257	2,186	3.2%
– Value	$616.0 million	$545.7 million	–

CAPITAL MANAGEMENT

The Group continues to apply a prudent focus on capital management and during FY18 achieved a strong increase in cash inflows from operations (up 19% to $118 million before payments for purchase of land) and reduced gearing[11] to 18.2%, from 21.4% at 30 June 2017.

At 30 June 2018, the Group had interest-bearing debt (including Peet Bonds) of $217.2 million, compared with $249.8 million at 30 June 2017. Approximately, 91% of Group's interest-bearing debt was hedged as at 30 June 2018, compared with 89% at 30 June 2017.

Peet enters FY19 with a strong balance sheet, including cash and debt facility headroom of $148.3 million as at 30 June 2018 and a weighted average debt maturity of over two years.

On the basis of this strong financial position and pending the emergence of growth opportunities, the Directors have resolved to implement an on-market share buy-back of up to 5% of the Company's issued shares.

DIVIDENDS

Subsequent to the year end, the Directors declared a final dividend for FY18 of 3.0 cents per share, fully franked. This brings the total dividend for FY18 to 5.0 cents per share, fully franked, which is an increase of 5% on the FY17 dividend (4.75 cents per share, fully franked). The dividend is to be paid on Friday, 5 October 2018, with a record date of Friday, 21 September 2018.

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

8 Includes equivalent lots. Excludes englobo sales.
9 Includes equivalent lots.
10 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $14.1 million (FY17: $15.3 million).
11 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)

GROUP STRATEGY

The Group will continue to target the delivery of 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 primary 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 49,000 lots with a focus on maximising return on capital employed;
- continuing to assess opportunities to selectively acquire residential land holdings in a disciplined manner, predominantly under our funds management platform, and as appropriate to market conditions;
- maintaining a focus on cost and the level of debt; and
- Broadening its product offering to Completed Homes and Medium Density.

Traditionally, Peet has been a residential land developer with a focus on replenishing its land bank in a disciplined manner under its funds management platform, focused in its core markets of Victoria, Queensland and Western Australia, with opportunistic acquisitions in other states and territories. However, the Group has evolved and broadened its capabilities and offerings to home-buying customers, increasing its focus on Completed Homes and Medium Density products, and to a lesser extent the apartment market.

As new Completed Homes and Medium Density products are developed, the Group's EBITDA[12] margin is expected to be approximately 28% in FY19, which is within the Group's target through-cycle EBITDA[12] margin range of 25% to 30%.

In recent times, Peet has secured projects to deliver Completed Homes and Medium Density products under its funds management, development and joint arrangements operating segments.

One project that will see a mix of the traditional residential land product and newer Completed Homes and Medium Density products is the Brabham (WA) project.

During 2H18, Peet announced it had entered the relevant agreements confirming its appointment as the Western Australian Government's development manager for the Brabham (WA) project, a 220-hectare landholding located in Brabham, 22 kilometres from the Perth CBD. The Brabham (WA) project will potentially yield more than 3,000 dwellings as well as schools, neighbourhood shops and recreational areas.

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.

12 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures totalling $14.1 million (FY17: $15.3 million).

3. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

OUTLOOK

The Peet Group enters FY19 with a strong balance sheet, low gearing[13] and a portfolio of residential development landholdings well positioned for sustainable long-term growth.

The outlook for the Group is generally supported by market fundamentals with sustained low interest rates, strong population growth on the east coast and modest economic growth.

The Australian residential property market's varied conditions are expected to continue into FY19, with some moderation of conditions in Victoria and New South Wales expected:

- while conditions across Victoria are expected to moderate, it is supported by continuing strong population growth and strong public sector investment;
- ACT and South Australia are expected to remain supportive;
- while the depth of market in Western Australia continues to show improvement, we do not anticipate a material improvement in sales activity during FY19; and
- the Queensland residential market is expected to continue to improve due to its relative affordability.

The Group has moved into FY19 in a solid position to target growth on FY18 earnings, subject to market conditions and the timing of settlements.

4. EARNINGS PER SHARE

	2018 Cents	2017 Cents
Basic and diluted earnings per share	10.02	9.14

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 2018. 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

Subsequent to 30 June 2018, the Directors have resolved to implement an on-market share buy-back of up to 5% of the Company's issued shares.

No 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.

13 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets adjusted for market value of inventory less cash, less intangible assets), excluding Syndicates consolidated under AASB10

7. DIVIDENDS

In August 2017, the Directors declared a final dividend of 3.0 cents per share, fully franked, in respect of the year ended 30 June 2017. The dividend of $14.7 million was paid on Wednesday, 4 October 2017.

In February 2018, the Directors declared an interim dividend of 2.00 cents per share, fully franked, in respect to the year then ending 30 June 2018. The dividend of $9.8 million was paid on Friday, 6 April 2018.

Subsequent to the year end, the Directors declared a final dividend for FY18 of 3.0 cents per share, fully franked. This brings the total dividend for FY18 to 5.0 cents per share, fully franked, which is an increase of 5% on the FY17 dividend (4.75 cents per share, fully franked). The dividend is to be paid on Friday, 5 October 2018, with a record date of Friday, 21 September 2018.

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 does not have 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 FY18 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	9	9	–	–	–	–	2	2
B D Gore	9	9	–	–	–	–	2	2
A J Lennon	9	9	7	7	–	–	2	2
T J Allen	9	9	7	7	3	3	2	2
V Krause	9	9	–	–	3	3	2	2
R J McKinnon	9	9	7	7	3	3	2	2

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 J 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 J Lennon and Mr T J Allen.

12. REMUNERATION

Dear Shareholder,

Peet is pleased to present its Remuneration Report for the year ended 30 June 2018. This report sets out remuneration information for Non-executive Directors ("NEDs"), the Managing Director and Chief Executive Officer ("MD"), and other key management personnel ("KMP") and focuses on the remuneration decisions made by the Board and the pay outcomes that resulted.

The 2018 financial year represented another year of growth as Peet achieved an operating net profit after tax of $49.1 million, up 10% on the $44.8 million achieved in the 2017 financial year. During the year, Peet secured several new projects, reduced and further diversified its debt capital strengthening its balance sheet, derived strong cash flows from operations 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 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.

12. REMUNERATION (CONTINUED)

While the statutory financial statements show total revenue of $287.6 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of $101.3 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 arrangements businesses. In addition to Group revenues of $287.6 million and EBITDA of $101.3 million, the properties that Peet is also responsible for within its Fund Management and Joint Arrangement Businesses generated revenues of $418.1 million and EBITDA of $84.4 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 2018 was the same as for the previous year.
- There were no increases in the base pay of the KMP (including NEDs) during the year ended 30 June 2018.
- Short–term incentives will be paid to the KMP in respect of the year ended 30 June 2018. This follows a positive assessment of the individual members' performance against a balanced scorecard, which includes consideration of Group financial and strategic targets, together with individual targets.
- During the year, long-term incentive performance conditions were tested as at 30 June 2017 resulting in the partial vesting of performance rights. The vesting was met by way of ordinary shares acquired on market during the 2018 financial year.

Peet also takes the opportunity to confirm that the MD's base pay for the year ending 30 June 2019 will be the same as 2018, notwithstanding his contractual entitlement to an adjustment of at least CPI. The MD's base pay was last amended with effect from 1 July 2014. Additionally, the 2019 base pays of all other non-director KMP will remain the same as their 2018 base pays. The base pay of the NEDs was last amended with effect from 1 July 2014. The base NED's and Chairman's fee will increase by 8% from 1 July 2018.

We encourage our shareholders to use the cash value of remuneration realised table on page 60 to assess the remuneration outcomes for KMP in the year ended 30 June 2017 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 received by KMP following the vesting of performance rights.

The Board is satisfied that these remuneration outcomes for the year ended 30 June 2018 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 ("NEDs") 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

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 3 to 6 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 2018. 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.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

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;
- 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 Capital Employed (ROCE) and absolute performance in measures such as ROE, ROCE and earnings per share.

During the 2018 financial year, the Remuneration Committee recommended to the Board, and it agreed, to assess financial performance for the purposes of long-term incentive awards against earnings per share (EPS) growth, together with funds under management growth. These performance measures will continue to be used for the 2019 financial year.

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.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

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

Fees and payments to NEDs reflect the demands which are made on, and the responsibilities of, the NEDs. NEDs' 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 NEDs' fees and payments are appropriate and in line with the market. NEDs do not receive share options or performance rights.

The NEDs' remuneration is inclusive of committee fees and fees for their membership on any subsidiary Boards. The fees payable to NEDs and the Chairman of the Remuneration Committee and the Chairman of the Audit and Risk Management Committee were last amended with effect from 1 July 2014. NEDs may also be entitled to fees where they represent Peet on the Board of Syndicates.

NEDs' 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 NEDs' fees pool to $900,000.

The NEDs do not receive any form of retirement allowance.

From 1 July 2018, the base fee (inclusive of superannuation) of the Chairman and the other NEDs will increase by 8%. This increase does not apply to committee fees or fees paid to Directors where they represent Peet on the Board of Syndicates.

EXECUTIVE PAY

The Company's pay and reward framework for Executive's has the following components:

- base pay and benefits;
- short-term performance incentives; and
- long-term performance 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. There were no changes to the quantum of total base pay for Executives during the 2018 financial year.

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 2018 and 2017 ranged between 50% and 100% 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 KPIs to apply to the other Executives.

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

- financial;
- strategy;
- stakeholder engagement;
- people and processes improvements; and
- health, safety and environment.

For the year ended 30 June 2018, the MD and other Executives were assessed as follows against the KPIs:

	Weighting		% Achieved		% Forfeited	
Category	MD	Executives	MD[1]	Executives[2]	MD	Executives
Financial	60.0%	60.0%	60.0%	60.0%	0.0%	0.0%
Strategic	25.0%	15.0% to 40.0%	23.0%	5.0% to 30.0%	2.0%	8.0% to 10.0%
Stakeholder	5.0%	0.0% to 5.0%	5.0%	0.0% to 5.0%	0.0%	0.0%
People and processes improvements	5.0%	0.0% to 25.0%	5.0%	0.0% to 25.0%	0.0%	0.0%
Health, safety and environment	5.0%	0.0% to 5.0%	5.0%	0.0% to 5.0%	0.0%	0.0%
	100.0%	**100.0%**	**98.0%**	**75.0% to 100.0%**	**2.0%**	**8.0% to 10.0%**

1 89.0% of the MD's FY18 STI is payable on announcement to the market of the FY18 results; 9.0% is deferred to the achievement of certain follow-up actions; and 2.0% is forfeited.
2. 85.0% of the Chief Investment Officer's FY18 STI is payable on announcement to the market of the FY18 results; 5.0% is deferred to the achievement of certain follow-up actions and 10.0% is forfeited.

For the year ended 30 June 2017, the KPI's linked to STI plan were based on similar criteria.

Long-term incentives ("LTI")

Traditionally, the Company has provided its Executives with LTI 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 2018 and 2017 ranged between 50% and 100% 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 member of the KMP of the Group are set out in the tables following.

The statutory disclosures required by the Corporations Act 2001(Cth), as amended and its regulations are set out in the table on page 60. The company believes that the additional information provided in table below is useful to investors. The table below sets out the total cash value of remuneration realised for the KMP and provides shareholders with details of the "take-home" pay received/ receivable during the year. These earnings include cash salary and fees, bonus, superannuation, non-cash benefits received/ receivable during the year and the value of shares issued to, or acquired on behalf of, KMP 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	**2018**	**216,847**	–	–	–	**20,453**	**237,300**
	2017	216,712	–	–	–	20,588	237,300
T J Allen	**2018**	**136,283**	–	–	–	**12,947**	**149,230**
	2017	136,283	–	–	–	12,947	149,230
V Krause	**2018**	**86,055**	–	–	–	**8,175**	**94,230**
	2017	59,574	–	–	–	34,656	94,230
R J McKinnon	**2018**	**108,886**	–	–	–	**10,344**	**119,230**
	2017	108,886	–	–	–	10,344	119,230
A J Lennon	**2018**	**146,055**	–	–	–	**8,175**	**154,230**
	2017	146,055	–	–	–	8,175	154,230
B D Gore	**2018**	**917,251**	**918,554**	**856,369**	**10,000**	**20,049**	**2,722,223**
	2017	917,685	890,435	1,007,244	10,000	19,615	2,844,979
Total	**2018**	**1,611,377**	**918,554**	**856,369**	**10,000**	**80,143**	**3,476,443**
	2017	1,585,195	890,435	1,007,244	10,000	106,325	3,599,199
Other key management personnel							
P J Dumas	**2018**	**460,000**	**261,900**	**259,844**	–	**25,000**	**1,006,744**
	2017	454,998	267,720	305,494	–	30,000	1,058,212
D Scafetta	**2018**	**329,951**	**161,000**	**148,470**	–	**20,049**	**659,470**
	2017	330,383	175,000	166,029	–	19,615	691,027
B C Fullarton	**2018**	**415,000**	**198,000**	**201,004**	–	**25,000**	**839,004**
	2017	404,998	165,000	235,208	–	35,000	840,206
Total	**2018**	**1,204,951**	**620,900**	**609,318**	–	**70,049**	**2,505,218**
	2017	1,190,379	607,720	706,731	–	84,615	2,589,445

1. Cash salary and fees, 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. Amount paid by the Company in order to settle the PRs exercised during year ended 30 June 2018. The Company purchased ordinary shares in the Company on-market on behalf of KMP.
4. Other includes termination benefits, long service payments, motor vehicle costs, car-parking and other benefits.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

The table below is calculated in accordance with statutory obligations and Australian Accounting Standards. The amounts in the "Share-based payments" 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]	Termination benefits	Total
		$	$	$	$	$	$	$
Directors								
A W Lennon	**2018**	**216,847**	–	–	**20,453**	–	–	**237,300**
	2017	216,712	–	–	20,588	–	–	237,300
T J Allen	**2018**	**136,283**	–	–	**12,947**	–	–	**149,230**
	2017	136,283	–	–	12,947	–	–	149,230
V Krause	**2018**	**86,055**	–	–	**8,175**	–	–	**94,230**
	2017	59,574	–	–	34,656	–	–	94,230
R J McKinnon	**2018**	**108,886**	–	–	**10,344**	–	–	**119,230**
	2017	108,886	–	–	10,344	–	–	119,230
A J Lennon	**2018**	**146,055**	–	–	**8,175**	–	–	**154,230**
	2017	146,055	–	–	8,175	–	–	154,230
B D Gore	**2018**	**917,251**	**918,554**	**10,000**	**20,049**	**972,099**	–	**2,837,953**
	2017	917,685	890,435	10,000	19,615	881,976	–	2,719,711
Total	**2018**	**1,611,377**	**918,554**	**10,000**	**80,143**	**972,099**	–	**3,592,173**
	2017	1,585,195	890,435	10,000	106,325	881,976	–	3,473,931
Other key management personnel								
P J Dumas	**2018**	**460,000**	**261,900**	–	**25,000**	**302,842**	–	**1,049,742**
	2017	454,998	267,720	–	30,000	264,691	–	1,017,409
D Scafetta	**2018**	**329,951**	**161,000**	–	**20,049**	**182,122**	–	**693,122**
	2017	330,383	175,000	–	19,615	156,805	–	681,803
B C Fullarton	**2018**	**415,000**	**198,000**	–	**25,000**	**228,953**	–	**866,953**
	2017	404,998	165,000	–	35,000	201,498	–	806,496
Total	**2018**	**1,204,951**	**620,900**	–	**70,049**	**713,917**	–	**2,609,817**
	2017	1,190,379	607,720	–	84,615	622,994	–	2,505,708

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.
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, 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 KMP during the year.

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	
	2018	2017	2018	2017	2018[1]	2017[1]
Directors						
A W Lennon	**100%**	100%	-	-	-	-
T J Allen	**100%**	100%	-	-	-	-
V Krause	**100%**	100%	-	-	-	-
R J McKinnon	**100%**	100%	-	-	-	-
A J Lennon	**100%**	100%	-	-	-	-
B D Gore	**33%**	35%	**33%**	33%	**34%**	32%
Other key management personnel						
P J Dumas	**46%**	48%	**25%**	26%	**29%**	26%
D Scafetta	**51%**	51%	**23%**	26%	**26%**	23%
B C Fullarton	**51%**	55%	**23%**	20%	**26%**	25%

1. Since LTI 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.

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. PRs 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.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

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 16	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	26 Nov 2014	3 yrs ended 30 Jun 2017	22 Dec 2019	$0.00	$1.07[1]	FUM Growth ROAFE	833,897	–	(703,809)	(130,088)	–	–	3 4
	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 5
	23 Nov 2016	3 yrs ended 30 Jun 2019	23 Nov 2031	$0.00	$0.80[1]	FUM Growth ROCE	1,065,114	–	–	–	1,065,114	–	3 5
	29 Nov 2017	3 yrs ended 30 Jun 2020	29 Nov 2031	$0.00	$1.33	FUM Growth EPS Growth	–	874,347	–	–	874,347	–	3 6
Other executives	22 Dec 2014	3 yrs ended 30 Jun 2017	22 Dec 2019	$0.00	$0.94	FUM Growth ROAFE	593,328	–	(500,769)	(92,559)	–	–	3 4
	21 Dec 2015	3 yrs ended 30 Jun 2018	21 Dec 2030	$0.00	$0.96	FUM Growth ROCE	679,208	–	–	–	679,208	–	3 5
	21 Dec 2016	3 yrs ended 30 Jun 2019	21 Dec 2031	$0.00	$0.85	FUM Growth ROCE	779,546	–	–	–	779,546	–	3 5
	5 Dec 2017	3 yrs ended 30 Jun 2020	5 Dec 2032	$0.00	$1.30	FUM Growth EPS Growth	–	639,925	–	–	639,925	–	3 6
							4,879,113	1,514,272	(1,204,578)	(222,647)	4,966,160	-	
Total							**6,079,113**	**1,514,272**	**(1,204,578)**	**(222,647)**	**6,166,160**	**1,200,000**	

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 26 November 2014, 25 November 2015, 23 November 2016 and 29 November 2017, being the dates of Peet Limited's, 2014, 2015, 2016 and 2017 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, a Syndicate, a 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 reduced by the equity interest retained by the Group and is then compared to the rolling three-year 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 $187.7 million for the three-year performance period ended 30 June 2017. Accordingly, the performance condition was fully met and on 22 August 2017 the Directors resolved that 100% of the FY15 PRs thereto vested.

The FY16, FY17 and FY18 PRs remain unvested.

NOTE 4

These PRs are convertible to ordinary shares on a 1:1 basis, with 60% subject to the ROAFE vesting condition, measured over a three-year period from 1 July 2014 to 30 June 2017 ("FY15 Performance Period"). 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.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

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

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 13.0% against the target of 12.8% for the three-year performance period ended 30 June 2017. Accordingly, the ROAFE performance condition attached to the FY15 PRs was partially met and on 22 August 2017 the Directors resolved that 74% of the FY15 PRs relating thereto vested.

NOTE 5

These PRs are convertible to ordinary shares on a 1:1 basis, with 60% subject to the ROCE vesting condition, measured over a three-year period from 1 July 2015 to 30 June 2018 ("FY16 Performance Period") and 1 July 2016 to 30 June 2019 ("FY17 Performance Period"), respectively.

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

Of the FY16 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%

Of the FY17 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 90% of the target	0%
90% of the target	30%
90% to 95% of the target	Pro-rata between 30% and 50%
95% to 100% of the target	Pro-rata between 50% and 65%
100% to 105% of the target	Pro-rata between 65% and 100%
Greater than 105% of the target	100%

The FY16 and FY17 PRs 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 the EPS growth vesting condition, measured over a three-year period from 1 July 2017 to 30 June 2020 ("FY18 Performance Period").

EPS growth is then compared to the Board's internal target EPS growth for the FY18 Performance Period.

The earnings component of EPS is calculated as net profit measured in accordance with Australian Accounting Standards, excluding write-downs of inventories and development costs and increases in the carring value of inventories during the relevant financial year, and is subject to other adjustments at the Board's discretion.

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

Performance level	Proportion of performance rights that may be eligible to vest
Less than 80% of the EPS target	0%
80% of the EPS target	50%
80% to 100% of the EPS target	Pro-rata between 50% and 80%
100% to 120% of the EPS target	Pro-rata between 80% and 100%
Greater than 120% of the EPS target	100%

The FY18 PRs 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 the KMP 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	–	–	–	–	–	–
T J Allen	–	–	–	–	–	–
V Krause	–	–	–	–	–	–
R J McKinnon	–	–	–	–	–	–
A J Lennon	–	–	–	–	–	–
B D Gore	4,027,031	874,347	(703,809)	(130,088)	4,067,481	1,200,000
Other key management personnel						
P J Dumas	871,826	271,455	(213,553)	(39,472)	890,256	–
D Scafetta	516,704	163,246	(122,020)	(22,553)	535,377	–
B C Fullarton	663,552	205,224	(165,196)	(30,534)	673,046	–

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

During the year ended 30 June 2018, 1,204,578 PRs (2017: 1,713,975) had vested and were exercised by KMP at $ Nil exercise price. In order to settle the PRs exercised during year ended 30 June 2018, the Company purchased ordinary shares in the Company on-market on behalf of KMP.

Since 30 June 2018, no PRs were vested. 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. STI is generally based on an assessment of performance over a 12-month period, while LTI is generally assessed over a three-year period. The high-level performance of the Group over the last five years is compared below:

		2014	2015	2016	2017	2018
Net profit after tax (NPAT)	$'000	30,291	38,460	42,592	44,792	**49,112**
NPAT growth	Growth%	3342.2%	27.0%	10.7%	5.2%	**9.6%**
Net operating profit after tax (NOPAT)	$'000	31,555	38,460	42,592	44,792	**49,112**
NOPAT growth	Growth%	72.0%	21.9%	10.7%	5.2%	**9.6%**
Basic EPS	cents per share	7.0	8.26	8.70	9.14	**10.02**
Basic EPS growth	Growth%	2592.3%	18.0%	5.3%	5.1%	**9.6%**
Operating EPS	cents per share	7.3	8.26	8.70	9.14	**10.02**
Operating EPS growth	Growth%	35.2%	13.2%	5.3%	5.1%	**9.6%**
Dividends paid/payable	cents per share	3.5	4.5	4.5	4.75	**5.00**
Share price 30 June	$	1.35	1.15	0.94	1.20	**1.32**
Share price growth	Growth%	20.5%	(14.8%)	(18.3%)	27.7%	**10%**

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	–	–	–	–	–	–	–
T J Allen	–	–	–	–	–	–	–
V Krause	–	–	–	–	–	–	–
R J McKinnon	–	–	–	–	–	–	–
A J Lennon	–	–	–	–	–	–	–
B D Gore	98%	2%	2018	–	–	2020	774,442
			2017	–	–	2019	284,385
			2016	–	–	2018	–
			2015	84.4%	15.6%	2018	–

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

	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	90%	10%	2018	–	–	2020	235,187
			2017	–	–	2019	93,583
			2016	–	–	2018	–
			2015	84.4%	15.6%	2018	–
D Scafetta	92%	8%	2018	–	–	2020	141,436
			2017	–	–	2019	112,506
			2016	–	–	2018	–
			2015	84.4%	15.6%	2018	–
B C Fullarton	90%	10%	2018	–	–	2020	177,805
			2017	–	–	2019	141,435
			2016	–	–	2018	–
			2015	84.4%	15.6%	2018	–

1. Includes performance rights for which performance conditions were met for the performance period ended 30 June 2017 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 1,204,578 PRs over shares in the Company and received shares in the Company during the 2018 financial year. Please refer to previous pages of the Remuneration Report for commentary on vesting conditions met during the performance period ended 30 June 2018.

	Remuneration consisting of options & performance rights[1]	Value of options & performance rights granted[2]	Value of options & performance rights exercised[3]
Directors			
B D Gore	34%	1,161,133	749,556
Other key management personnel			
P J Dumas	29%	352,620	200,312
D Scafetta	26%	212,057	114,454
B C Fullarton	26%	266,586	154,954

1. The percentage of the value of remuneration consisting of options and PRs, based on the value of options and PRs expensed during the current year.
2. The value at grant date calculated in accordance with AASB 2 Share-based payments of options and/or PRs 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.

LOANS TO DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

There were no loans made to KMP, or their personally-related entities, during the financial year.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

VOTING AND COMMENTS MADE AT THE COMPANY'S 2017 ANNUAL GENERAL MEETING

The instructions given to validly appointed proxies in respect of the resolution pertaining to the Company's 2017 Remuneration Report were as follows:

For	Against	Proxy's discretion	Abstain
272,512,990	9,837,066	219,519	446,559
96.4%	3.5%	0.1%	

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

INTERESTS IN THE SHARES AND BONDS OF THE COMPANY

	Shares				Bonds		
	Balance at the start of the year	Received during the year on exercise of PRs	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	97,314,685	–	–	97,314,685	3,000	1,875	4,875
T J Allen	92,054	–	–	92,054	5,114	–	5,114
V Krause	–	–	–	–	1,000	–	1,000
R J McKinnon	50,000	–	–	50,000	500	–	500
B D Gore	4,533,238	703,809	–	5,237,047	–	–	–
A J Lennon	1,331,344	–	–	1,331,344	500	–	500
Other key management personnel							
P J Dumas	874,329	213,553	–	1,087,882	–	–	–
D Scafetta	996,138	122,020	–	1,118,158	–	–	–
B C Fullarton	235,208	165,196	–	400,404	–	–	–

Since 30 June 2018, no PRs were vested. 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 71.

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
23 August 2018

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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 2018, 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
23 August 2018

Corporate Governance Statement

A copy of the Group's corporate governance policies and practices in place during the financial year ended 30 June 2018 is available at the following link:

www.peet.com.au/corporate-governance-statement-2018

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 23 August 2018. 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	2018 $'000	2017 $'000
Revenue	5	287,619	296,043
Expenses	6	(223,856)	(240,609)
Finance costs (net of capitalised borrowing costs)	6	(10,232)	(8,337)
Share of net profit of associates and joint ventures	10	14,081	15,326
Profit before income tax		**67,612**	**62,423**
Income tax expense	8	(18,972)	(18,163)
Profit for the year		**48,640**	**44,260**
Attributable to:			
Owners of Peet Limited		49,112	44,792
Non-controlling interests		(472)	(532)
		48,640	**44,260**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Realised losses on cash flow hedges transferred to profit or loss		3,129	2,307
Unrealised gains/(losses) on cash flow hedges		(862)	1,857
Income tax relating to components of other comprehensive income		(680)	(1,249)
Other comprehensive income for the year, net of tax		**1,587**	**2,915**
Total comprehensive income for the year		**50,227**	**47,175**
Attributable to:			
Owners of Peet Limited		50,699	47,707
Non-controlling interests		(472)	(532)
		50,227	**47,175**

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

	Notes	Cents	Cents
Basic and diluted earnings per share	7	10.02	9.14

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	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents		76,749	88,367
Receivables	11	27,392	53,319
Inventories	9	119,259	133,237
Total current assets		**223,400**	**274,923**
Non-current assets			
Receivables	11	95,665	78,002
Inventories	9	375,540	352,919
Investments accounted for using the equity method	10	222,820	213,448
Property, plant and equipment		5,411	8,298
Intangible assets		6,087	6,251
Total non-current assets		**705,523**	**658,918**
Total assets		**928,923**	**933,841**
Current liabilities			
Payables	12	82,066	69,492
Land vendor liabilities	13	14,700	15,975
Borrowings	16	–	5,791
Current tax liabilities		15,398	4,698
Provisions	14	5,826	6,245
Total current liabilities		**117,990**	**102,201**
Non-current liabilities			
Land vendor liabilities	13	5,380	17,853
Borrowings	16	217,204	244,017
Derivative financial instruments	16	3,777	4,551
Deferred tax liabilities	8	32,844	39,698
Provisions	14	285	199
Total non-current liabilities		**259,490**	**306,318**
Total liabilities		**377,480**	**408,519**
Net assets		**551,443**	**525,322**
Equity			
Contributed equity	17	385,955	385,955
Reserves	17	3,397	1,417
Retained profits		150,871	126,258
Capital and reserves attributable to owners of Peet Limited		**540,223**	**513,630**
Non-controlling interest		11,220	11,692
Total equity		**551,443**	**525,322**

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 2016		**385,955**	**7,809**	**103,515**	**497,279**	**4,236**	**501,515**
Profit for the year		–	–	44,792	44,792	(532)	44,260
Other comprehensive income		–	2,915	–	2,915	–	2,915
Total comprehensive income for the year		–	**2,915**	**44,792**	**47,707**	**(532)**	**47,175**
Transactions with owners in their capacity as owners:							
Non-reciprocal contribution to a controlled entity		–	(7,988)	–	(7,988)	7,988	–
Capital return to non-controlling interests		–	(1,217)	–	(1,217)	–	(1,217)
Vesting of performance rights		–	(2,201)	–	(2,201)	–	(2,201)
Share-based payments		–	2,099	–	2,099	–	2,099
Dividends paid		–	–	(22,049)	(22,049)	–	(22,049)
Balance at 30 June 2017		**385,955**	**1,417**	**126,258**	**513,630**	**11,692**	**525,322**
Balance at 1 July 2017		**385,955**	**1,417**	**126,258**	**513,630**	**11,692**	**525,322**
Profit for the year		–	–	49,112	49,112	(472)	48,640
Other comprehensive income		–	1,587	–	1,587	–	1,587
Total comprehensive income for the year		–	**1,587**	**49,112**	**50,699**	**(472)**	**50,227**
Transactions with owners in their capacity as owners:							
Vesting of performance rights		–	(1,883)	–	(1,883)	–	(1,883)
Share-based payments		–	2,276	–	2,276	–	2,276
Dividends paid		–	–	(24,499)	(24,499)	–	(24,499)
Balance at 30 June 2018		**385,955**	**3,397**	**150,871**	**540,223**	**11,220**	**551,443**

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

Consolidated Statement of Cash Flows

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		325,252	334,369
Payments to suppliers and employees (inclusive of GST)		(183,177)	(203,504)
Payments for purchase of land		(50,690)	(42,376)
Interest and other finance costs paid		(18,983)	(18,160)
Distributions and dividends received from associates and joint ventures		10,185	3,949
Interest received		552	901
Income tax paid		(15,806)	(17,952)
Net cash inflow from operating activities	**19**	**67,333**	**57,227**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,252)	(4,426)
Payments for investment in associates		(8,725)	(3,537)
Proceeds from capital returns from associates		3,249	744
Loans to related parties		(21,024)	(16,220)
Repayment of loans by related parties		7,826	21,951
Net cash outflow from investing activities		**(20,926)**	**(1,488)**
Cash flows from financing activities			
Dividends paid to Group's shareholders		(24,499)	(22,049)
Repayment of borrowings		(108,129)	(67,296)
Proceeds from borrowings		25,598	49,817
Proceeds from issue of Peet bonds (gross proceeds net of costs)		49,005	–
Transactions with non-controlling interests (net of costs)		–	(1,217)
Net cash outflow from financing activities		**(58,025)**	**(40,745)**
Net (decrease)/increase in cash and cash equivalents		(11,618)	14,994
Cash and cash equivalents at the beginning of the year		88,367	73,373
Cash and cash equivalents at the end of the year		**76,749**	**88,367**

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

PERFORMANCE FOR THE YEAR

OPERATING ASSETS AND LIABILITIES

CAPITAL MANAGEMENT

OTHER NOTES

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 2018. 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 2017. 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 ix).

3. How to read the annual report

The notes to the financial statements are set out in 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 management under policies approved by the Board of Directors and the Audit and Risk Management Committee. Management 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 and 16);
- 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 party transactions. 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 derives fees from underwriting, capital raising and asset identification services. Ongoing project related fees (mainly project management and selling fees as well as performance fees) are then derived by the Group for the duration of a particular project.

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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.

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4. Segment information (continued)

	Funds management		Company-owned projects		Joint arrangements		Inter-segment transfers and other unallocated		Consolidated	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue by segment										
Sales to external parties	35,009	46,901	197,844	191,648	46,025	48,861	5,129	4,351	284,007	291,761
Other revenue	176	1,357	2,108	1,165	877	1,551	451	209	3,612	4,282
Share of net profit of associates and JVs	5,528	4,582	–	–	8,277	10,629	276	115	14,081	15,326
Total	**40,713**	**52,840**	**199,952**	**192,813**	**55,179**	**61,041**	**5,856**	**4,675**	**301,700**	**311,369**
Corporate overheads							**(11,094)**	**(10,625)**	**(11,094)**	**(10,625)**
EBITDA[1]	**28,341**	**36,734**	**67,225**	**43,734**	**16,589**	**21,167**	**(10,858)**	**(10,504)**	**101,297**	**91,131**
Depreciation and amortisation	(50)	(50)	(1,700)	(1,827)	(155)	(125)	(1,863)	(1,537)	(3,768)	(3,539)
EBIT[2]	**28,291**	**36,684**	**65,525**	**41,907**	**16,434**	**21,042**	**(12,721)**	**(12,041)**	**97,529**	**87,592**
Financing costs (includes interest and finance costs expensed through cost of sales)									(29,917)	(25,169)
Profit before income tax									**67,612**	**62,423**
Income tax expense									(18,972)	(18,163)
Profit for the year									**48,640**	**44,260**
Loss attributable to non-controlling interests									472	532
Profit attributable to owners of Peet Limited									**49,112**	**44,792**

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

	2018 $'000	2017 $'000
Revenue from sales of land	240,360	235,187
Project management, selling and performance fees	43,647	56,574
Other revenue	3,612	4,282
	287,619	**296,043**

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 lots 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 allowance for sales fall overs to be recognised against project management and selling fees.

Revenue from related parties included above:

	2018 $'000	2017 $'000
Revenue from related parties[1]		
Associates		
Project management, selling and performance fees	31,597	42,658
Syndicate administration fees	1,336	1,368
Interest	420	825
Other	–	667
Joint arrangements		
Project management, selling and performance fees	5,158	5,682
	38,511	**51,200**

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

6. Expenses

	2018 $'000	2017 $'000
Profit before income tax includes the following specific expenses:		
Land and development cost	128,617	148,665
Amortised interest and finance expense	19,685	16,832
Total land and development cost	**148,302**	**165,497**
Depreciation	2,604	2,722
Amortisation	1,164	817
Total depreciation and amortisation [1]	**3,768**	**3,539**
Employee benefits expense [2]	34,166	33,736
Project management, selling and other operating costs	18,923	19,602
Other expenses	18,697	18,235
Total other expenses	**71,786**	**71,573**
Total expenses	**223,856**	**240,609**
Finance costs		
Interest and finance charges paid/payable	10,364	12,703
Interest on corporate bonds	11,275	7,863
Amount capitalised	(11,407)	(12,229)
	10,232	**8,337**

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

	2018 $'000	2017 $'000
KMP remuneration [1]		
Short-term employee benefits	4,366	4,284
Post-employment benefits	150	191
Share-based payments	1,686	1,505
	6,202	**5,980**

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

	2018	2017
Profit attributable to the ordinary equity holders of the Company ($'000)	49,112	44,792
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	489,980,559	489,980,559
Basic and diluted earnings per share (cents)	10.02	9.14

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 2018. These PRs are contingently issuable shares and accordingly not included in diluted earnings per share.

8. Taxes

a. Income tax expense

	2018 $'000	2017 $'000
Major components of tax expense		
Current income tax expense		
Current tax	27,144	12,297
Adjustments for prior periods	(638)	703
	26,506	**13,000**
Deferred income tax expense		
Deferred tax	(7,534)	5,866
Adjustments for prior periods	–	(703)
	(7,534)	5,163
	18,972	**18,163**

Deferred income tax expense included in income tax expense comprises:		
(Increase)/ decrease in deferred tax assets	(2,747)	4,241
(Decrease)/ increase in deferred tax liabilities	(4,787)	922
	(7,534)	**5,163**

Tax reconciliation		
Profit before income tax	67,612	62,423
Tax at Australian tax rate of 30%	20,284	18,727
Tax effect of amounts which are not assessable or deductible:		
Share of net profit of associates	(913)	(218)
Employee benefits	118	630
Franking credits	(806)	(1,184)
Sundry items	289	208
	18,972	18,163

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 2016	3,272	2,432	690	5,652	4,202	16,248
Credited/(charged):						
- to profit or loss	80	–	(484)	(2,960)	(877)	(4,241)
- to other comprehensive income	–	(1,249)	–	–	–	(1,249)
Total deferred tax assets	3,352	1,183	206	2,692	3,325	10,758
Set off against deferred tax liabilities pursuant to set off provisions						(10,758)
At 30 June 2017						–
At 1 July 2017	3,352	1,183	206	2,692	3,325	10,758
Credited/(charged):						
– to profit or loss	195	–	(100)	(465)	3,117	2,747
– to other comprehensive income	–	(680)	–	–	–	(680)
Total deferred tax assets	3,547	503	106	2,227	6,442	12,825
Set off against deferred tax liabilities pursuant to set off provisions						(12,825)
At 30 June 2018						–

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 2016	29,590	8,072	9,029	2,688	155	49,534
Charged/(credited):						
– to profit or loss	(1,043)	(1,554)	2,983	536	–	922
Total deferred tax liabilities	28,547	6,518	12,012	3,224	155	50,456
Set off against deferred tax assets pursuant to set off provisions						(10,758)
At 30 June 2017						39,698
At 1 July 2017	28,547	6,518	12,012	3,224	155	50,456
Charged/(credited):						
– to profit or loss	(2,935)	932	(2,675)	(109)	–	(4,787)
Total deferred tax liabilities	25,612	7,450	9,337	3,115	155	45,669
Set off against deferred tax assets pursuant to set off provisions						(12,825)
At 30 June 2018						32,844

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.

KEY ESTIMATES

NET REALISABLE VALUE

The Group is required to carry inventory at lower of cost and net realisable value. 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.

9. Inventories

	2018 $'000	2017 $'000
Current		
Cost of acquisition	28,659	36,400
Capitalised development costs	76,965	70,140
Capitalised finance costs	13,635	26,697
	119,259	**133,237**
Non-current		
Cost of acquisition	230,980	213,318
Capitalised development costs	82,329	81,031
Capitalised finance costs	62,231	58,570
	375,540	**352,919**
Total inventory at cost	**494,799**	**486,156**

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.

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

	2018 $'000	2017 $'000
Carrying amount at 1 July	**213,448**	**198,115**
Acquisitions/additional investments	8,725	4,700
Dividends	(10,185)	(3,949)
Capital returns	(3,249)	(744)
Share of profit after income tax	14,081	15,326
Carrying amount at 30 June	**222,820**	**213,448**

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 2018	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) after tax $'000	Share of profit/(loss) $'000
Associates										
Peet Alkimos Pty Limited, WA	27	7,928	377,199	103,706	20,385	261,036	69,150	5,075	(2,594)	(708)
Peet Werribee Land Syndicate, VIC	17	2,134	43,728	5,934	11,202	28,726	4,929	44,245	6,317	1,084
Peet Caboolture Syndicate Limited, QLD	20	9,351	48,446	41,882	4,994	10,921	2,184	20,780	1,634	327
Joint Ventures*										
Peet Flagstone City Pty Limited, QLD	50	11,210	151,643	47,194	1,598	114,061	57,031	32,641	2,795	1,398
Googong Township Unit Trust, NSW	50	49,216	110,773	41,836	–	118,153	59,077	77,349	16,106	8,053
Peet Golden Bay Pty Limited, WA	50	3,319	30,038	5,320	–	28,037	14,019	7,991	415	208
Peet Mt Barker Pty Limited, SA	50	2,840	29,495	11,971	354	20,010	10,005	11,138	1,507	754
Peet No.1895 Pty Limited, VIC	50	7,200	107,617	48,868	57,729	8,220	4,110	15,872	2,599	1,300
Peet Brahbam Pty Ltd, WA#	50	3,503	30,419	33,932	–	(10)	(5)	4	(10)	(5)
Other associates							2,066			1,917
Other JVs							254			(247)
Total							**222,820**			**14,081**

As at 30 June 2017	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) after tax $'000	Share of profit/(loss) $'000
Associates										
Peet Alkimos Pty Limited, WA	26	7,952	379,668	125,351	28,585	233,684	61,155	31,404	(1,345)	(352)
Peet Werribee Land Syndicate, VIC	17	1,472	48,243	25,754	56	23,905	4,102	77	(1,090)	(187)
Peet Caboolture Syndicate Limited, QLD	20	10,996	49,595	46,231	5,076	9,284	1,857	19,182	(1,582)	(316)
Joint Ventures*										
Peet Flagstone City Pty Limited, QLD	50	17,785	134,617	40,203	936	111,263	55,632	21,594	2,355	1,178
Googong Township Unit Trust, NSW	50	52,761	117,297	53,061	–	116,997	58,499	90,263	21,166	10,583
Peet Golden Bay Pty Limited, WA	50	4,788	32,333	5,500	–	31,621	15,811	13,757	2,434	1,217
Peet Mt Barker Pty Limited, SA	50	5,019	28,714	10,539	282	22,912	11,456	12,548	23	12
Peet No.1895 Pty Limited, VIC#	50	13,989	81,565	49,715	40,219	5,620	2,810	61,327	6,118	3,059
Other associates							1,874			22
Other JVs							252			110
Total							**213,448**			**15,326**

* Refer to note 10(c) for further breakdown of financial information of joint ventures
# New joint venture in FY18

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 2018	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	10,756	–	39,110	–	1,283
Googong Township Unit Trust	3,092	33,445	–	–	35
Peet Golden Bay Pty Limited	3,475	–	–	–	175
Peet Mt Barker Pty Limited	2,949	7,000	–	–	647
Peet No. 1895 Pty Limited	8,177	–	77,747	2	1,203
Peet Brahbam Pty Limited[#]	502	–	33,784	–	–
As at 30 June 2017					
Peet Flagstone City Pty Limited	13,042	–	36,021	–	1,014
Googong Township Unit Trust	3,151	39,463	–	103	(14)
Peet Golden Bay Pty Limited	5,822	–	–	–	1,043
Peet Mt Barker Pty Limited	5,434	5,000	–	–	14
Peet No. 1895 Pty Limited	14,022	–	38,923	101	1,409

1. Excluding trade and other payables and provisions
\# New joint venture in FY18

11. Receivables

	2018 $'000	2017 $'000
Current		
Trade receivables [1]	9,517	20,130
Accrued income [2]	16,622	25,005
Loans to associates and joint ventures [3]	–	6,609
Other receivables	1,253	1,575
	27,392	**53,319**
Non-current		
Loans to associates and joint ventures [3]	86,996	66,787
Other receivables [4]	8,669	11,215
	95,665	**78,002**
Total receivables	**123,057**	**131,321**

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 (2017: $Nil).
2. These amounts represent project management and performance fees from associates and other managed entities.
3. The Group has entered into financing arrangements (including loans and equity contributions in cash) with certain associates and JVs of the Group 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 5%.
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 with associates and joint ventures included above:

	2018 $'000	2017 $'000
Current		
Trade receivables and accrued income	19,020	31,214
Loans to associates and joint ventures	–	6,609
Non-current		
Loans to associates and joint ventures	86,996	66,787
Other receivables	4,418	6,861
Total	**110,434**	**111,471**

Movements in loans to associates and joint ventures:

Carrying amount at 1 July	**73,396**	**63,761**
Loans advanced to associates	21,024	31,220
Loan repayments from associates	(7,826)	(21,951)
Other	402	366
Carrying amount at 30 June	**86,996**	**73,396**

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

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 2018 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 trade and other receivables, 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 creditworthy 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

	2018 $'000	2017 $'000
Current		
Trade payables	392	6,980
Unearned revenue	19,433	13,797
GST payable	5,952	4,976
Accruals and other payables	56,289	43,739
	82,066	**69,492**

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

	2018 $'000	2017 $'000
Current		
Instalments for purchase of development property	14,700	15,975
	14,700	**15,975**
Non-current		
Instalments for purchase of development property	6,350	21,050
Future interest component of deferred payments	(970)	(3,197)
	5,380	**17,853**
Total land vendor liabilities	**20,080**	**33,828**

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:

	2018 $'000	2017 $'000
0 – 1 years	14,700	15,975
1 – 2 years	6,350	14,700
2 – 5 years	–	6,350
Total contractual cash flows	**21,050**	**37,025**
Carrying amount of liabilities	**20,080**	**33,828**

14. Provisions

	2018 $'000	2017 $'000
Current		
Rebates	2,778	3,138
Employee entitlements	3,048	3,107
	5,826	**6,245**
Non-current		
Employee entitlements	285	199
	285	**199**
Total provisions	**6,111**	**6,444**

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

	2018 $'000	2017 $'000
Carrying amount at 1 July	**3,138**	**5,154**
Charged/(credited) to the statement of profit or loss:		
– Additional provision recognised	2,079	1,450
– Paid during year	(2,439)	(3,466)
Carrying amount at 30 June	**2,778**	**3,138**

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 and annual 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 balance 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 high quality 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 and accumulating sick leave expected to be settled within 12 months of the balance 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 2018				
The Village at Wellard, WA	18,739	4,159	12,261	8,085
Lightsview Joint Venture, SA	16,078	13,184	9,758	8,649
The Heights Durack, NT	9,600	6,738	4,231	3,604
Redbank Plains Joint Venture, QLD	23,511	5,731	10,026	8,684
As at 30 June 2017				
The Village at Wellard, WA	29,608	7,411	17,424	12,080
Lightsview Joint Venture, SA	4,997	2,340	13,465	10,567
The Heights Durack, NT	10,393	6,561	4,083	3,601
Redbank Plains Joint Venture, QLD	21,903	5,446	2,599	2,642

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 2018. At 30 June 2018, the bank covenant gearing ratio was 18.2% (2017: 21.4%).

16. Borrowings and derivative financial instruments

Net debt

	2018 $'000	2017 $'000
Borrowings – Current	–	5,791
Borrowings – Non-current	217,204	244,017
Total borrowings*	**217,204**	**249,808**
Cash and cash equivalents	(76,749)	(88,367)
Net debt	**140,455**	**161,441**

*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.

Refer note 20 for fair value disclosures.

Debt facilities

The following provides details of the loans and borrowings utilised as at 30 June 2018:

	Facility amount $'000	Carrying amount[1] $'000	Effective interest rate %
Bank loans – note a	178,000	69,456	6.1

	Face value $'000	Carrying amount[2] $'000	Effective interest rate %
Peet bonds – note b			
Series 1, Tranche 1	100,000	98,577	8.06
Series 2, Tranche 1	50,000	49,171	6.82
Total	**150,000**	**147,748**	

1. Excludes bank guarantees. Refer note 22 for bank guarantees information.
2. Net of transaction and finance costs.

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 $700 million (2017: $714 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 2018.

The Group's main bank facility of $150 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:

	2018 $'000	2017 $'000
0 – 1 years	4,229	14,546
1 – 2 years	55,035	29,449
2 – 5 years	16,371	126,922
Total contractual cash flows	**75,635**	**170,917**
Carrying amount of liabilities	**69,456**	**151,714**

b. PEET BONDS

SERIES 1, TRANCHE 1

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.

SERIES 2, TRANCHE 1

On 5 July 2017, Peet issued 500,000 Bonds at a face value of $100 per bond with a maturity date of 5 October 2022. These bonds are unsecured and carry a floating interest rate of BBSW+ 4.65% margin.

The bonds are presented in the balance sheet as follows:

	2018 $'000	2017 $'000
Face value of bonds issued	150,000	100,000
Transaction costs	(3,245)	(2,288)
	146,755	**97,712**
Cumulative interest expense [1]	19,602	8,316
Cumulative coupon payable	(18,609)	(7,934)
	993	**382**
Non-current liability	**147,748**	**98,094**

1. Interest expense is calculated by applying the effective interest rate of 8.06% (Series 1) and 6.82% (Series 2) (2017: 8.06%) to the liability component.

The bonds are repayable as follows:

	2018 $'000	2017 $'000
0 – 1 years	10,680	7,500
1 – 2 years	10,689	7,500
2 – 5 years	164,438	114,733
Total contractual cash flows	**185,807**	**129,733**
Carrying amount of liabilities	**147,748**	**98,094**

c. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 $'000	2017 $'000
Non-current		
Interest rate swap contracts – cash flow hedges	3,777	4,551
Total derivative financial instruments	**3,777**	**4,551**

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

	2018 $'000	2017 $'000
1 – 2 years	335	–
2 – 5 years	3,442	4,551
Total contractual cash flows	**3,777**	**4,551**
Carrying amount of liabilities	**3,777**	**4,551**

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.

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 for the year before hedges of 1.83% (2017: 1.75%). 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 83.7% (2017: 82.4%) of the variable debt principal outstanding and are timed to expire as each loan repayment falls due. During the year fixed interest rate swaps range between 2.83% and 3.11% (2017: 2.83% and 3.11%) and the variable rates are between 1.59% and 1.90% (2017: 1.67% and 1.87%).

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:

	2018 $'000	2017 $'000
1 – 2 years	25,000	–
2 – 5 years	100,000	125,000
	125,000	**125,000**

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 2018, the Group had the following mix of financial assets and liabilities exposed to variable interest rates:

	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents (floating)	76,749	88,367
Financial liabilities		
Borrowings (floating, unhedged)	(19,456)	(26,714)
Interest rate swap	(3,777)	(4,551)
Net movement	**53,516**	**57,102**

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)	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
– 50 basis points	(195)	(216)	(195)	(200)
+ 50 basis points	195	216	195	200

17. Contributed equity and reserves

a. Movements in ordinary share capital

Date	Details	Number of shares	$'000
30 June 2016	Closing balance	489,980,559	385,955
	Movement for the year	–	–
30 June 2017	Closing balance	489,980,559	385,955
	Movement for the year	–	–
30 June 2018	Closing balance	489,980,559	385,955

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 of 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	Non-controlling interest reserve [3] $'000	Total $'000
At 1 July 2016	(5,694)	13,402	101	7,809
Cash flow hedges (gross)	4,164	–	–	4,164
Deferred tax	(1,249)	–	–	(1,249)
Share based payment	–	2,099	–	2,099
Vesting of performance rights[4]	–	(2,201)	–	(2,201)
Non-reciprocal contribution to a controlled entity	–	–	(7,988)	(7,988)
Capital return to non-controlling interests	–	–	(1,217)	(1,217)
At 30 June 2017	(2,779)	13,300	(9,104)	1,417
At 1 July 2017	(2,779)	13,300	(9,104)	1,417
Cash flow hedges (gross)	2,267	–	–	2,267
Deferred tax	(680)	–	–	(680)
Share based payment	–	2,276	–	2,276
Vesting of performance rights[5]	–	(1,883)	–	(1,883)
At 30 June 2017	(1,192)	13,693	(9,104)	3,397

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 non-controlling interest 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.
4. In September 2016, the Company purchased 2,189,371 shares to settle the vesting of FY14 Performance Rights.
5. In August 2017, the Company purchased 1,400,275 shares to settle the vesting of FY15 Performance Rights.

18. Dividends

	2018 $'000	2017 $'000
Declared and paid during the period		
Prior year fully franked dividend 3.00 cents, paid on 4 October 2017 (2016: 2.75 cents)	14,699	13,474
Fully franked interim dividend for 2018: 2.00 cents (2017:1.75 cents)	9,800	8,575
	24,499	**22,049**

Dividend not recognised at year end		
Final dividend 3.00 cents per share to be paid on 5 October 2018 (2017: 3.00 cents per share)	14,699	14,699

Franking credit balance		
Franking account balance as at the end of the financial year at 30% (2017: 30%)	35,840	28,214
Franking credits that will arise from the payment of income tax	15,398	4,698
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	(6,300)	(6,300)
	44,938	**26,612**

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

	2018 $'000	2017 $'000
Profit after income tax	48,640	44,260
Add/(deduct) non cash items:		
Depreciation	2,604	2,722
Amortisation of intangible assets	1,164	817
Employee share-based payments	395	(102)
Equity accounting for investments in associates and joint ventures	(14,081)	(15,326)
Interest received	(157)	(535)
Peet Bonds effective interest	649	320
Add other items:		
Distributions and dividends from associates and joint ventures	10,185	3,949
Change in operating assets and liabilities during the financial year		
Increase/(decrease) in receivables	24,541	(7,531)
Decrease in inventories	197	61,929
Increase/(Decrease) in tax liabilities	10,700	(6,446)
Decrease in payables	(9,637)	(31,632)
Decrease in provisions	(333)	(1,856)
(Decrease)/increase in deferred tax liabilities	(7,534)	6,658
Net cash inflow from operating activities	**67,333**	**57,227**

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 $3.8 million (2017: $4.6 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 quoted market value (on ASX) as at 30 June 2018 of a Peet bond Series 1, Tranche 1 was $105 per bond and of a Peet bond Series 2, Tranche 1 was $102 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

	2018 $	2017 $
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*		
Ernst & Young	367,450	381,559
Total remuneration for audit services	**367,450**	**381,559**
Other services		
Ernst & Young	21,423	14,405
Taxation services		
Tax compliance services including review of Company income tax returns		
Ernst & Young	217,762	204,333

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:

	2018 $'000	2017 $'000
Bank guarantees outstanding	24,585	19,605
Insurance bonds outstanding	18,680	15,388
	43,265	**34,993**

All contingent liabilities are expected to mature within 1 year.

At 30 June 2018, the Group had commitments of $40.3 million to purchase lots from associates and joint ventures, at arms-length, to be on-sold to third party buyers through the Group's Peet Complete program.

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:

	2018 $'000	2017 $'000
Balance sheet		
Current assets	62,769	74,012
Total assets	588,705	479,742
Current liabilities	14,962	15,055
Total liabilities	113,754	82,159
Shareholders' equity		
Issued capital	385,955	385,955
Reserves		
Share-based payments reserve	13,693	13,300
Retained profits	75,303	(1,672)
Total equity	**474,951**	**397,583**
Profit/(loss) for the year	101,474	(25,762)
Total comprehensive income	**101,474**	**(25,762)**

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:

	2018 $'000	2017 $'000
Bank guarantees outstanding	498	586

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	2018 %	2017 %
CIC Australia Pty Limited[1]	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. 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	100
Peet Mt. Pleasant Pty Limited[2]	100	100
Peet No. 127 Pty Limited[2]	100	100
Peet Tonsley Pty Limited[2]	100	100
JTP Homes Pty Limited[2]	100	100
Peet Tonsley Apartments Pty Limited[2]	100	–
Peet Yanchep Land Syndicate[2]	66.4	66.4

1. Incorporated in ACT.
2. Incorporated in WA.

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	
	2018 $'000	2017 $'000
Current assets	5,661	18,740
Non-current assets	77,496	64,325
Current liabilities	1,463	12,858
Non-current liabilities	27,818	15,919
Non-controlling interest	18,100	18,238
Revenue	5,866	4,917
Profit or loss after tax	(412)	(153)
Loss attributable to non-controlling interest	138	51

Summarised cash flow information:

	Peet Yanchep Land Syndicate	
	2018 $'000	2017 $'000
Operating	(649)	(188)
Financing	259	449
Net outflow	**(390)**	**261**

Peet has provided loans to other partly-owned subsidiaries amounting to $7.6 million (2017: $1.4 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 ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

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

	2018 $'000	2017 $'000
Consolidated statement of profit or loss		
Revenue	282,469	291,687
Expenses	(218,012)	(235,908)
Finance costs	(9,911)	(7,965)
Share of net profit of associates accounted for using the equity method	13,805	15,211
Profit before income tax	**68,351**	**63,025**
Income tax expense	(19,125)	(18,182)
Profit for the year	**49,226**	**44,843**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in the fair value of cash flow hedges	2,267	4,164
Income tax relating to components of other comprehensive income	(680)	(1,249)
Other comprehensive income for the year, net of tax	**1,587**	**2,915**
Total comprehensive income for the year	**50,813**	**47,758**
Summary of movement in consolidated retained profits		
Retained profits at the beginning of the financial year	127,848	105,054
Profit for the year	49,226	44,843
Dividends paid	(24,499)	(22,049)
Retained profits at the end of the financial year	**152,575**	**127,848**

Consolidated balance sheet

Set out below is a consolidated balance sheet at 30 June 2018 of the closed group consisting of Peet Limited and certain wholly owned subsidiaries.

	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	76,178	87,378
Receivables	29,318	55,471
Inventories	115,062	114,869
Total current assets	**220,558**	**257,718**
Non-current assets		
Receivables	126,916	100,524
Inventories	298,044	279,231
Investments accounted for using the equity method	255,577	246,480
Property, plant and equipment	5,398	8,283
Intangible assets	6,082	6,246
Total non-current assets	**692,017**	**640,764**
Total assets	**912,575**	**898,482**
Current liabilities		
Payables	81,925	56,824
Land vendor liabilities	14,700	15,975
Current tax liabilities	14,061	11,626
Provisions	5,767	5,933
Total current liabilities	**116,453**	**90,358**
Non-current liabilities		
Land vendor liabilities	5,380	17,853
Borrowings*	201,026	228,098
Derivative financial instruments	3,777	4,551
Deferred tax liabilities	35,234	33,762
Provisions	285	199
Total non-current liabilities	**245,702**	**284,463**
Total liabilities	**362,155**	**374,821**
Net assets	**550,420**	**523,661**
Equity		
Contributed equity	385,955	385,955
Reserves	11,890	9,858
Retained profits	152,575	127,848
Total equity	**550,420**	**523,661**

* At 30 June 2018, bank facility available to Peet and wholly owned subsidiaries is $150 million (utilised at 30 June 2018: $50 million debt and $21 million bank guarantees) was extended to 1 October 2019

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
29 Nov 17	$0.00	29 Nov 32	$1.44	25%	1.86%	$1.328
05 Dec 17	$0.00	05 Dec 32	$1.41	25%	2.00%	$1.299

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 $2,276,087 (2017: $2,098,936).

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 1 July	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Balance at 30 June	Exercisable at 30 June
30 June 2018									
Options									
30 Nov 07	N/A	$4.10	$1.12	1,200,000	–	–	–	1,200,000	1,200,000
Performance rights									
26 Nov 14	26 Nov 19	–	$1.065	833,897	–	(703,809)	(130,088)	–	–
22 Dec 14	22 Dec 19	–	$0.938	988,794	–	(834,543)	(154,251)	–	–
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	–
23 Nov 16	23 Nov 31	–	$0.801	1,065,114	–	–	–	1,065,114	–
21 Dec 16	21 Dec 31	–	$0.849	1,380,552	–	–	–	1,380,552	–
29 Nov 17	29 Nov 32	–	$1.328	-	874,347	–	–	874,347	–
5 Dec 17	5 Dec 32	–	$1.299	-	1,232,635	–	–	1,232,635	–
				6,388,837	**2,106,982**	**(1,538,352)**	**(284,339)**	**6,673,128**	–
Total				**7,588,837**	**2,106,982**	**(1,538,352)**	**(284,339)**	**7,873,128**	**1,200,000**
30 June 2017									
Options									
30 Nov 07	N/A	$4.10	$1.12	1,200,000	–	–	–	1,200,000	1,200,000
Performance rights									
20 Dec 13	20 Dec 18	–	$1.27	1,896,513	–	(1,866,169)	(30,344)	–	–
8 Sep 14	8 Sep 19	–	$1.27	328,459	–	(323,203)	(5,256)	–	–
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	–
23 Nov 16	23 Nov 31	–	$0.801	–	1,065,114	–	–	1,065,114	–
21 Dec 16	21 Dec 31	–	$0.849	–	1,380,552	–	–	1,380,552	–
				6,168,143	**2,445,666**	**(2,189,372)**	**(35,600)**	**6,388,837**	–
Total				**7,368,143**	**2,445,666**	**(2,189,372)**	**(35,600)**	**7,588,837**	**1,200,000**

25. Matters subsequent to the end of the financial year

The Directors have declared a final fully franked dividend of 3.00 cents per share in respect to the year ended 30 June 2018. The dividend is to be paid on Friday, 5 October 2018, with a record date of Friday, 21 September 2018. 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.

Subsequent to 30 June 2018, the Directors have resolved to implement an on-market share buy-back of up to 5% of the Company's issued shares.

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 or 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 software and 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.

26. Other accounting policies (continued)

viii. 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.

ix. 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 effective as of 1 July 2017. The impact of new standards and amendments is not material.

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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.	A review has been undertaken. 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.	A review has been undertaken. Based on existing significant lease agreements, the extent of the impact of the amendment is not expected to be material.	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 73 to 109 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 2018 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
23 August 2018

Independent Auditor's Report

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Independent auditor's report to the Members of Peet Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Peet Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Recoverability of inventories

Why significant	How our audit addressed the key audit matter
Land held for development and resale is treated by the Group as inventories which are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and borrowing costs incurred during development. As at 30 June 2018, total inventories amounted to $494,799,000. This is considered a key audit matter as the determination of net realisable value is affected by subjective elements within the projected costs and revenues over the assumed life of each development. These values are sensitive to changes in the underlying economic environment and market forces. Disclosure of inventories including significant judgments is included in note 9 to the financial report.	In obtaining sufficient audit evidence: ▸ We assessed the effectiveness of the relevant internal controls over the Group’s review process over project monitoring, including the preparation and review of feasibility reports and updates at the related executive and board level. It also included controls over the process for the approval to commence or amend significant projects. ▸ We evaluated all available external independent valuations and a selection of the higher risk internal projections prepared by the Group. ▸ We also examined the qualifications, objectivity and experience of management's valuation experts. ▸ We evaluated all material projects to understand project costs to date and estimated costs to complete, the progress of the development, and contingency estimates for remaining development risks. ▸ We assessed the valuation models prepared by the Group for a sample of developments currently in progress. As part of this, we evaluated the assumptions adopted by comparing project costs and sales to the most recent historical or comparable sales and costs, including signed contracts or actual costs incurred for comparable projects. ▸ We checked the mathematical accuracy of the valuation models and agreed relevant data to the current development application submissions and/or approvals. ▸ We performed sensitivity analysis in relation to the key forward looking assumptions including sales price, cost per lot and escalation rates. ▸ We assessed the disclosure relating to inventories in accordance with Australian Accounting Standards.

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2. Land and capitalised development costs expensed during the year

Why significant	How our audit addressed the key audit matter
The Group has recognised land and development costs of $148,302,000. Development costs includes infrastructure costs which are incurred over the life of the development. This is considered a key audit matter as the recognition of land and development costs is dependent on forecast development timing and future costs that are affected by expected performance and market conditions. Disclosure of land and development costs is included in note 6 to the financial report.	In obtaining sufficient audit evidence: ▸ We evaluated the basis of estimation and allocation of total development costs and the allocation of costs to complete for lots sold. ▸ We assessed the effectiveness of relevant internal controls over the review and approval of cost calculations. ▸ We tested a sample of cost calculations to assess whether they were mathematically accurate and the period they related to were appropriate. ▸ We assessed the costs allocated to each lot and compared the land and development costs to sales transactions. This included comparison to historical averages of similar projects, and the gross margin over the life of the project to identify and substantiate significant differences. ▸ We assessed the adequacy of the disclosures in the financial report in accordance with Australian Accounting Standards.

3. Investments accounted for using the equity method

Why significant	How our audit addressed the key audit matter
The Group has interests in joint ventures and associates which are involved in property investment or development and are accounted for using the equity method. An associate is an entity over which the Group has significant influence. The classification of an interest in an entity as a joint venture is predicated on the Group having joint control with the other party(ies) under the arrangement. Interests in associates and joint ventures comprise of: (a) The Group's equity accounted investment in a number of joint venture arrangements and associates; and (b) Loan facilities provided by the Group to certain associates and joint ventures. These unsecured loans are recognised at amortised cost using the effective interest rate method, less an allowance for impairment. This is considered a key audit matter due to the following: ► The judgment involved in assessing whether the Group has control, joint control or significant influence over the investee. The Group's assessment is based on the relevant contractual agreements. ► The assessment of the recoverability of the interests is subject to significant judgment as to the performance of the underlying developments. Significant changes in feasibility assumptions impacting project cash flows may give rise to impairment. Disclosure of investments accounted for using the equity method, including significant judgments is included in notes 2, 3 and 10 to the financial report.	In obtaining sufficient audit evidence: ► For new joint ventures entered into during the year, we assessed the arrangements to understand the ownership interest and rights of each party. This included considering the Group's assessment of whether an entity is jointly controlled and whether their application of the equity method accounting to the investment was appropriate. ► For existing joint ventures and associates, we confirmed that there have been no changes to the arrangement with respect to decision making power and exposure to variable returns. ► We assessed the financial performance and financial position of the associates and joint ventures, and the Group's going concern assessment of the relevant entities as one of the indicators of potential impairment. ► We evaluated the recoverability of interests in associates and joint ventures by assessing the feasibilities of the underlying development asset. We obtained an understanding of the status of the underlying developments, considered the historical accuracy of the forecast development outcomes and evaluated the assumptions adopted in light of current market evidence. ► We considered the Group's assessment of the recoverability of the loans. ► We assessed the adequacy of the disclosures in the financial report in accordance with Australian Accounting Standards.

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 55 to 69 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Peet Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
23 August 2018

Securityholder Information

Distribution of ordinary shares and Peet Bonds

As at 25 September 2018 there were 2,158 current holders of ordinary shares, 1,350 current holders of Series 1, Tranche 1 Peet Bonds ("PPCHA Bonds") and 482 current holders of Series 2, Tranche 1 Peet Bonds ("PPCHB Bonds"). These holdings were distributed in the following categories:

Size of Holding	No of Shareholders	% of Issued Shares	No PPCHA Bondholders	% of Issued PPCHA Bonds	No of PPCHB Bondholders	% of Issued PPCHB Bonds
1 – 1,000	459	0.02	1,245	36.59	418	31.42
1,001 – 5,000	613	0.39	89	19.25	54	23.55
5,001 – 10,000	379	0.60	8	6.35	6	7.72
10,001 – 100,000	631	3.47	7	17.23	3	8.86
100,001 and over	76	95.52	1	20.58	1	28.45
	2,158	100.00	1,350	100.00	482	100.00

There were 338 shareholdings of less than a marketable parcel of $500 (428 shares).

There was 1 holding of PPCHA Bonds of less than a marketable parcel of $500 (five PPCHA Bonds).

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

Securityholders

The names of the 20 largest holders of ordinary shares as at 25 September 2018 are listed below:

Name	Number of Shares Held	% of Shares
Scorpio Nominees Pty Ltd <Gwenton A/C>	86,582,433	17.67
Citicorp Nominees Pty Limited	68,886,531	14.06
J P Morgan Nominees Australia Limited	59,534,485	12.15
HSBC Custody Nominees (Australia) Limited	54,912,867	11.21
National Nominees Limited	31,578,832	6.44
HSBC Custody Nominees (Australia) Limited - A/C 2	26,995,084	5.51
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	17,946,215	3.66
Mr Warwick Donald Hemsley	17,642,912	3.60
Argo Investments Limited	16,152,705	3.30
Ian Murray Charles Palmer & Helen Christina Palmer	12,707,352	2.59
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	11,763,965	2.40
HSBC Custody Nominees (Australia) Limited-Gsco Eca	11,591,541	2.37
Golden Years Holdings Pty Ltd <Peet Super Fund A/C>	8,656,230	1.77
BNP Paribas Noms Pty Ltd <DRP>	7,553,228	1.54
Mr Brendan David Gore <Gore Family A/C>	6,103,817	1.25
UBS Nominees Pty Ltd	3,669,571	0.75
Netwealth Investments Limited <Wrap Services A/C>	3,089,562	0.63
Brispot Nominees Pty Ltd <House Head Nominee A/C>	2,927,984	0.60
Mr Julian Charles Peet	1,528,344	0.31
Ms Gwenyth Elaine Lennon	1,294,556	0.26
Total for 20 largest shareholders	451,118,214	92.07
Total other shareholders	38,862,345	7.93
Total ordinary shares on issue	489,980,559	100.00

Securityholder Information (continued)

The names of the 20 largest holders of PPCHA Bonds as at 25 September 2018 are listed below:

Name	Number of PPCHA Bonds Held	% of PPCHA Bonds
HSBC Custody Nominees (Australia) Limited	205,766	20.58
J P Morgan Nominees Australia Limited	45,240	4.52
Australian Executor Trustees Limited <No 1 Account>	28,558	2.85
Grizzly Holdings Pty Ltd	26,400	2.64
Jove Pty Ltd	22,612	2.26
Finot Pty Ltd	20,000	2.00
Stonecot Pty Ltd <Hosb Super Fund A/C>	15,000	1.50
Farallon Capital Pty Ltd <Nunn Investment A/C>	14,488	1.45
Jamplat Pty Ltd	10,000	1.00
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	8,758	0.88
Passini Pty Ltd	8,500	0.85
Tierney Pty Limited <Nettex Aust Direct S/F A/C>	8,000	0.80
George Tauber Management Pty Ltd	7,500	0.75
Riseley Family Investments Pty Ltd <Riseley Family A/C>	7,250	0.72
Investment Management Co Pty Ltd <Vantage Investment Fund A/C>	6,800	0.68
Sunstone Finance Pty Ltd	6,655	0.67
Invia Custodian Pty Limited < Risf A/C>	5,000	0.50
Invia Custodian Pty Limited <Brian Davis Inv Pl A/C>	5,000	0.50
Invia Custodian Pty Limited <HWG Holding Pty Limited A/C>	5,000	0.50
Majana Pty Ltd <Majana Super Fund A/C>	5,000	0.50
Super Rab Pty Ltd <R A Black Pers S/F Rab A/C>	5,000	0.50
Total for 20 largest PPCHA Bondholders	466,527	46.65
Total other PPCHA Bondholders	533,473	53.35
Total PPCHA Bonds on issue	1,000,000	100.00

Securityholder Information (continued)

The names of the 20 largest holders of PPCHB Bonds as at 25 September 2018 are listed below:

Name	Number of PPCHB Bonds Held	% of PPCHB Bonds
HSBC Custody Nominees (Australia) Limited	142,236	28.45
BNP Paribas Noms Pty Ltd <DRP>	19,699	3.94
Grizzly Holdings Pty Limited	12,600	2.52
Keppoch Pty Limited	12,000	2.40
Finot Pty Limited <The Sonnenschein Family A/C>	8,000	1.60
BT Portfolio Services Limited <The Stone Super Fund A/C>	7,000	1.40
Roni H Pty Ltd	7,000	1.40
BLB Corporation Pty Ltd <BLB Australia Unit A/C>	6,000	1.20
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	5,500	1.10
Mr Joseph Compagnone + Mrs Cheryl Robyn Compagnone <J Compagnone & Co SFJ A/C>	5,090	1.02
J P Morgan Nominees Australia Limited	4,060	0.81
Hamilton Industries (Victoria) Pty Limited	4,000	0.80
Trendmead Pty Ltd <Trendmead Pty Ltd Super A/C>	3,500	0.70
A Cameron Holdings Pty Limited <A Cameron Family A/C>	3,125	0.63
Invia Custodian Pty Limited <T & L Brorsen Family A/C>	3,000	0.60
Mr Thomas Kiss + Mrs Amanda Aizenstros <Du Kiss Smt Fab P/L S/F A/C>	3,000	0.60
Mr Archibald John McKirdy	3,000	0.60
Sims Trading Pty Ltd	3,000	0.60
Mr Jian Wang	3,000	0.60
Burdekin Nominees Pty Ltd <Honeycombe Hold Pension A/C>	2,950	0.59
Daviesville Pty Ltd <Daviesville A/C>	2,950	0.59
Total for 20 largest PPCHB Bondholders	260,710	52.15
Total other PPCHB Bondholders	239,290	47.85
Total PPCHB Bonds on issue	500,000	100.00

Substantial shareholders

As disclosed in substantial holding notices lodged with ASX (as applicable) as at 25 September 2018:

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	16 August 2018	75,676,739	15.44
Ellerston Capital Limited and its associates	4 May 2018	34,864,418	7.12
L1 Capital Pty Ltd	23 July 2018	28,058,347	5.73
Eley Griffiths Group Pty Limited	19 April 2018	24,558,576	5.01
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.

Peet Limited's Series 2, Tranche 1 Peet Bonds are listed on the ASX, with the code being PPCHB.

Options and Performance Rights

As at 25 September 2018, Peet Limited had 1,200,000 options on issue, held by one key management person, as disclosed elsewhere in the Annual Report.

As at 25 September 2018, Peet Limited had 4,821,751 performance rights on issue, held by a total of 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, FAICD, Independent Director

Vicki Krause, BJuris LLB W.Aust, GAICD, Independent Director

Robert (Bob) McKinnon, FCPA, FCIS, FGIA, MAICD, Independent Director

Group Company Secretary

Dom Scafetta, BComm, CA

Registered Office and Principal Place of Business

7th Floor, 200 St Georges Terrace

Perth, Western Australia 6000

Tel. (08) 9420 1111

Share Register

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth, Western Australia 6000

Tel: (08) 9323 2000

Auditor

Ernst & Young

Ernst & Young Building

11 Mounts Bay Road

Perth, Western Australia 6000

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Peet Limited
ACN 008 665 834
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www.peet.com.au

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