PEET
ANNUAL REPORT 2020

CONTENTS

Image: Flagstone, QLD

PEET

Peet is one of Australia's leading residential real estate developers, creating places to live for thousands of Australians each year.

About PEET

Peet is one of Australia's leading residential real estate developers, creating places to live for thousands of Australians every year. Listed on the Australian Stock Exchange (ASX) since 2004, Peet develops masterplanned communities, medium density housing and low-rise apartments in the major growth corridors in every mainland state in Australia.

Established in 1895 by founder James Thomas Peet with a vision for Australians to build or buy their own home, Peet has enabled thousands of Australians achieve their ownership dreams.

With strong roots in Western Australia and a presence that now reaches across the country, Peet has played a key role in shaping and enhancing the urbanisation of cities by creating desirable communities with a strong commitment to affordability.

Image: Googong, NSW

WHAT WE DO

Peet acquires, develops and markets residential land in Australia. Currently, Peet manages a broad property portfolio of more than 47,000 lots with a gross development value of approximately $13.9 billion across 51 projects, making Peet Australia's largest 'pure play' residential property developer.

For 125 years, Peet has continuously evolved its business with a focus on providing choice for Australians. Historically, the company has been a residential land developer, replenishing its land bank in a disciplined manner, including using its unique and capital-lite funds management platform. Bolstered by its deep knowledge of the industry, Peet broadened its geographic scope resulting in a portfolio with national reach and a product mix of land, completed homes, medium density townhouses and low-rise apartments, in response to the changing lifestyles sought by Australians. Peet's range of product type appeals across buyer segments whilst maintaining a core focus on first homebuyers.

Peet prides itself on not only creating housing allotments, but communities. Investing in infrastructure is key – from amenities such as parks, shopping centres and schools to installation works of public art, Peet develops communities that offer residents a safe, secure and convenient lifestyle and great places to live.

Peet harnesses its deep experience and knowledge of Australia's real estate markets to create long-term shareholder value by effectively managing the development and sale of land, houses, townhouses and apartments across the country's cycles.

The Peet team comprises committed and engaged individuals who work with specialist consultants to deliver projects ranging from boutique townhouses to substantial urban renewal and master-planned communities.

Peet's brand ethos is *Life Your Way*. This means we have a commitment to creating places that enable Australians to buy a new home in a new community that suits the lifestyle and needs of their family. Our financial results section provides an overview of our performance during the 2020 financial year (FY20).

PEET | 125 YEARS

HOW WE DO IT

Our values

Image: Tonsley Village, SA

Integrity

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

Teamwork

WE recognise the strength of working together, encourage the development of 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.

FY20 PERFORMANCE *at a glance*

Financial

Operating profit[1] after tax

$15.1 million

EBITDA[2]
(Before restructuring and divestment related provisions)

$37.0 million

OPERATING EARNINGS OF **3.1 CENTS** PER SHARE

DIVIDEND OF **1.5 CENTS** PER SHARE, FULLY FRANKED

BOOK NTA[3] PER SECURITY $1.09

GEARING[4] OF 28.8%

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/(unrealised) transactions outside the core ongoing business activities. In FY20, a restructuring and divestment-related provision of $45.2 million after tax was excluded in calculating the operating profit.

2 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

3 NTA before application of AASB16 Leases.

4 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

Image: Aston Craigieburn, VIC

Operational

2,323
LOTS SOLD[5]
43%
INCREASE ON FY19

1,794
LOTS SETTLED[5]

c. 70%
of land bank under development

2
MEDIUM DENSITY
+1
BROADACRE PROJECT ACQUIRED

TWO NEW PROJECTS COMMENCED SALES / DEVELOPMENT

APPROX
1,100
PIPELINE OF TOWNHOUSES/LOW RISE APARTMENTS

1,786
CONTRACTS ON HAND[5]
42%
INCREASE
ON 30 JUNE 2019

Future proofing

Land bank of 47,323 lots[5]

Land Bank of $13.9 billion gross development value

51 projects nationally

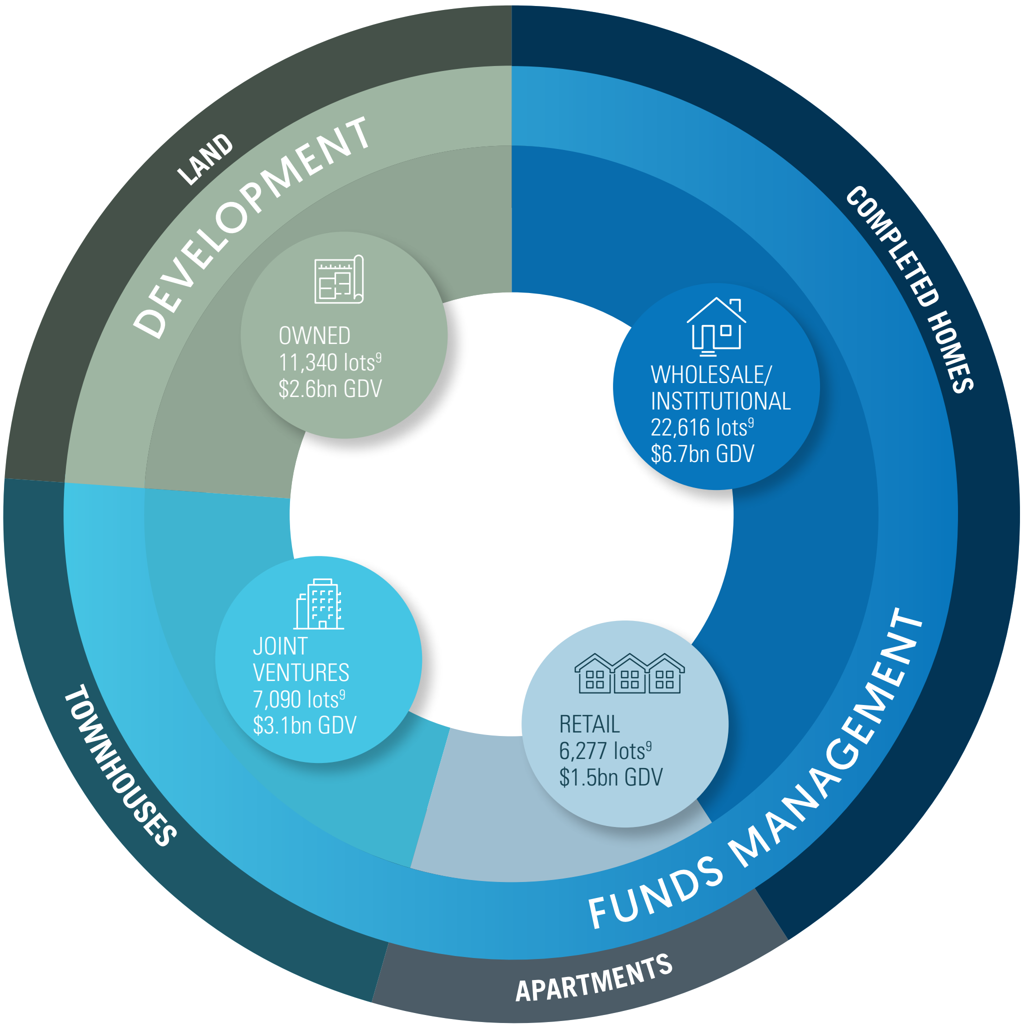
In every mainland state and territory in Australia

5 Includes equivalent lots.

BUSINESS *Model*

A unique funding model is one of Peet's key differentiators. It funds development through a combination of Company-owned Development projects, Funds Management projects and Joint Ventures, resulting in a capital efficient business model. Peet pioneered retail land syndication in Australia and its Funds Management and Joint Ventures businesses manage some 36,000 lots across 30 projects, providing opportunities for investors ranging from mums and dads to institutional and wholesale investors to participate in land development projects.

Peet's Funds Management and Joint Ventures contributed approximately 48% of the Group's EBITDA[6, 7,8] in FY20.



6 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
7 Before inter-segment transfers and other unallocated items.
8 Pre divestment and related provisions of $61.0 million (before tax).
9 Includes equivalent lots.

Our STRATEGY

Peet's strategy is to target the delivery of 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 products in growth corridors of major Australian cities. We also take a strategic approach to land acquisition, and our geographically diversified portfolio means we are well positioned to leverage different property cycles.

PEET'S STRATEGY FOCUSES ON **FOUR KEY PILLARS**

INVEST	Invest in high quality land in strategic locations across the country
ENHANCE	Enhance, plan and create communities and homes targeting the low to middle market segment
EXPAND	Expand product offering and geographic presence to appeal to a wider variety of customers
MAINTAIN	Maintain strong capital management

Image: Lumeah Townhouses, VIC

NATIONAL *Reach*

47,323 LOTS[10]

$13.9bn GROSS DEVELOPMENT VALUE

51 PROJECTS NATIONALLY

10 Includes equivalent lots.

Image: Golden Bay, WA

Peet manages a broad property portfolio, encompassing 47,000 lots across 51 projects

Diversified land bank strategically located in growth corridors of major cities in every mainland state of Australia

Range of affordable product type appealing to all buyer segments with a core focus on first home buyers

Chairman's REVIEW

Dear Shareholders,

I am pleased to present Peet's Annual Report for the year ended 30 June 2020.

Peet has been creating communities for Australians for over 125 years. Despite the difficult circumstances brought on by the global COVID-19 pandemic in 2020, which has had a significant impact on businesses and individuals, we continued to execute our strategy and provide vibrant communities for Australians to live.

Over the last few years, we have evolved elements of our strategy to diversify the types of product we develop. The flexibility afforded by this diversification has assisted in managing challenges throughout the year.

With more than 47,000 lots in 51 projects across every mainland state and territory, Peet is well positioned to benefit from a sustained recovery in residential property markets throughout the nation.

FY20 was a challenging year for our customers and our people. In the first half of the year, we experienced an uplift in sales and enquiries and an easing of tight credit conditions for our customers, indicating positive signs of a recovery in demand for residential housing. However, consumer confidence and markets were impacted towards the end of the third quarter with the onset of the COVID-19 pandemic and various warnings and restrictions imposed by Federal and State Governments.

Peet responded with a focus on protecting our people and residents in our communities. In line with our disciplined and proactive approach to capital management, we put in place a range of initiatives to conserve capital and protect the balance sheet.

Key actions included the deferral of new project commencements, minimising operating and capital expenditure, and, managing settlement risk for contracts on hand so to reduce cancellations of sales.

The immediate and targeted response ensured the Group was in a solid position to respond to the significant increase in demand experienced in June 2020, following the announcement of the Federal Government's HomeBuilder grant, in addition to support and stimulus provided by State Governments.

Our financial results for FY20 include an operating profit[11] after tax of $15.1 million and a statutory loss[12] of $30.1 million (after a restructuring and divestment provision of $45.2 million after tax). The FY20 results were impacted by lower settlements, compared to FY19, on the back of lower contracts on hand at 30 June 2019, the completion or substantial completion of projects in FY19 and the impact of COVID-19.

Strong sales achieved in June 2020 have provided the Group with good momentum as it enters into the 2021 financial year.

At 30 June 2020, the Group had net interest-bearing debt (including Peet Bonds) of $235.3 million, compared with $211.6 million at 30 June 2019. Subsequent to year-end the Group further extended the on-market share buyback for up to 5% of Peet's issued ordinary shares to 30 August 2021, subject to the Board's right to extend or terminate the buy-back at any time.

11 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 / unrealised transactions outside the core ongoing business activities. In FY20, a restructuring and divestment-related provision of $45.2 million after tax was excluded in calculating the operating profit.

12 Statutory profit / (loss) after tax means net profit / (loss) measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.

The flexibility afforded by our diversification strategy has assisted in managing challenges throughout the year.

STRATEGY

We remain committed to:

- Investing in quality land.
- Enhancing, planning and creating communities.
- Expanding our product offerings.
- Maintaining strong capital management.

While Peet's strategic pillars have not changed, we announced some initiatives in seeking to position Peet positively to a post COVID-19 environment, including resetting the focus of the business on key growth corridors across Australia. I refer you to the Managing Director and CEO's review for further detail on this matter.

DIVIDENDS

After year-end, the Directors declared a final dividend for FY20 of 1.0 cent per share, fully franked. This brings the total dividend for FY20 to 1.5 cents per share, fully franked. This dividend is payable 19 November 2020, with a record date of 26 October 2020.

CONCLUSION

Despite the challenging year, we head into FY21 focused on being positioned to benefit from any sustained improvement in market conditions while keeping a cautious approach to project delivery and identifying new growth opportunities. Remaining agile will be key over the next 12 months as we closely monitor the market and make the necessary decisions to create long-term value for our shareholders and syndicate investors, creating high quality communities for our residents and providing a stimulating and rewarding environment for the Peet Team.

This year has been extraordinary and I would like to thank my fellow Board members for their guidance. I would also like to thank our Managing Director and CEO Brendan Gore and the entire team at Peet for their dedication and commitment during an unprecedented year of change and disruption.

We would also like to extend our gratitude to our shareholders for their support and we look forward to sharing our progress with you in FY21.

Tony Lennon
Chairman

Managing Director and CEO's REVIEW

Dear Shareholders,

We entered FY2020 buoyed by signs of recovery in demand for residential housing as market conditions improved across the Group's markets. As access to credit also improved, we experienced an increase in customer demand for our products, resulting in an uplift in sales during the first half of the year, providing optimism for the remainder of FY20.

The onset of COVID-19 and the associated Government restrictions that followed impacted consumer sentiment and the ability of prospective customers to visit our projects in March 2020, resulting in lower sales in April 2020.

However, enquiry levels and digital traffic recovered strongly in April 2020, with Peet's sales offices generally fully operational in WA, ACT/NSW, SA and QLD with the easing of government restrictions. The introduction of Federal Government stimulus (in addition to support and stimulus provided by State Governments) resulted in a significant increase in enquiries and sales across the Group's portfolio in the latter half of the June 2020 quarter.

Enquiry levels increased by 75% during the quarter ended 30 June 2020, compared to the previous quarter. Sales increased 57% compared to the quarter ended 31 March 2020 and 25% compared to the quarter ended 31 December 2019.

COVID-19 RESPONSE

When the pandemic impacted Australia in March 2020, we took decisive action to protect our people, residents of our communities and the balance sheet through a variety of initiatives.

PEOPLE AND SAFETY

The safety and wellbeing of our employees and residents was our top priority and we moved quickly to implement a targeted pandemic response. The speed of our transition to working from home and the dedication and efficiency of our people was impressive. Peet offices across the country introduced measures to ensure our employees could return to the office gradually and safely in line with Governments' protocols. We prioritised supporting the ongoing viability of our small business customers and we also communicated digitally with residents in our communities.

BUSINESS OPERATIONS

Various initiatives were implemented to protect our business including:

- Deferral of the commencement of new projects.
- Minimising development expenditure to reflect management forecasts for COVID-19 sales rates pre-Government stimulus.
- A strong focus on managing the settlement risk of contracts on hand to minimise cancellations.
- Re-sequencing of masterplan staging to bring forward affordable lots.
- Accelerated production to align with expected demand following the introduction of Government stimulus.
- Negotiating variations to the Group's senior debt facility, which have resulted in a waiver of the measurement of the Group's debt covenants out to 30 June 2021, taking account of the Group's COVID-19 responses and the organisational restructure being implemented.

MANAGEMENT RESPONSE

- Voluntary 20% reduction of the Leadership Team's fixed salaries for the three months ended 31 July 2020.
- Voluntary 20% reduction of Non-Executive Director fees for the three months ended 31 July 2020.
- A 20% reduction in working hours across the balance of the Peet Team (with a pro-rata reduction in base pay) for the three months ended 31 July 2020.
- No FY20 short-term incentives.
- Reduction of discretionary spend and deferral of non-essential capital expenditure.

RIGHT-SIZING COST BASE AND STRENGTHENING CAPITAL POSITION

The Group continues to remain cautious on the outlook for FY21 and is seeking to position itself positively to a post COVID-19 environment.

Peet has continued to focus on reducing its fixed corporate overhead and efficiently managing its asset base with a view to maximising returns on invested capital.

The Group has been investing in its information and digital platforms during the past few years to improve the efficiency of its workflows and the gathering of data to drive enquiry and increase sales. At the same time, the Group continually reviews its c.47,000-lot portfolio to identify opportunities to recycle capital.

With a view to resetting the focus of the business on key growth corridors around the country, Peet will seek to divest non-core projects, including regional and sub-regional projects. The expectation is that this will result in the recycling of c.$75 million of capital over the next 18 to 24 months to further strengthen the Group's balance sheet. This will assist in streamlining the business and simplifying its operating structure.

The divestment of projects, as well as resulting efficiencies from our investment in digital platforms, has resulted in the reduction of the number of people employed by the Group. These difficult decisions are unfortunate but necessary to ensure the Group is well positioned for the post COVID-19 environment.

It is expected that these measures will result in annualised savings of $5-7 million once fully implemented in 2H21. However, for FY20 the Group recognised a restructuring and divestment-related provision of approximately $45 million after tax.

FY20 PERFORMANCE

The Peet Group achieved an operating profit[13] after tax of $15.1 million and a statutory loss[14] after tax of $30.1 million for FY20, which represent decreases of 68% and 163% respectively on FY19.

The performance has resulted in an operating earnings per share of 3.1 cents (statutory loss per share of 6.2 cents) for FY20, compared to 9.8 cents in FY19.

The operating result is on the back of lower settlements impacted by lower contracts on hand as at 30 June 2019 and completion of projects in FY19 and into FY20. The results were also negatively impacted by the onset of COVID-19 towards the end of 3Q20 and the resulting Government restrictions, as well as the Group's own response to protect the health and safety of its employees and its balance sheet.

The Group achieved 2,323 sales[15] with a gross value of $528.7 million, representing an increase of 43% on the number of sales in FY19.

Sales in the first half of the year showed a solid increase on the previous six months and sales activity continued to improve in the first two months of CY2020. While the impact of the COVID-19 pandemic and associated restrictions contributed to lower sales in April 2020, sales recovered strongly in the last quarter of the year.

The Group achieved 1,794 settlements[15] for the full year across its Funds Management, Development and Joint Venture projects, representing a decrease of 32% compared with FY19.

Peet delivered FY20 EBITDA[16] of $37.0 million (before restructuring and divestment-related provisions) compared to $86.0 million in FY19. FY20 EBITDA[16] was impacted by lower settlement volumes on lower sales volumes in FY19 carrying into FY2020 and COVID-19.

13 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 / unrealised transactions outside the core ongoing business activities. In FY20, a restructuring and divestment-related provision of $45.2 million after tax was excluded in calculating the operating profit.
14 Statutory profit / (loss) after tax means net profit / (loss) measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.
15 Includes equivalent lots.
16 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.

The reduction in our EBITDA[17] margin to 19% (FY19: 33%), is attributable to lower settlements, the completion of high margin projects in ACT/NSW and VIC as well as reduced development expenditure on new stock in response to COVID-19.

Contracts on hand[18] at 30 June 2020 increased 42% to 1,786 lots (compared to 30 June 2019: 1,257 lots), with a value of $428 million (up 27% on FY19: $336 million) on the back of Government stimulus.

DELIVERY AGAINST STRATEGY

The Group's portfolio is well positioned for positive medium to longer-term growth and value creation.

Despite challenging conditions, we made progress against our strategic pillars.

Invest in quality land in strategic locations across the country

We continued to build our geographically diverse portfolio, with two townhouse sites and one broadacre land project secured during FY20 on attractive terms.

Enhance, plan and create communities and homes targeting the lower to middle market segment.

Two new projects commenced development/sales in FY20, with 70% of our projects now under development. We expect 80% of our projects to be under development by FY23.

Expand our product offerings and geographic presence

We continued to extend our market reach by broadening our offerings to townhouses and low-rise apartments. We now have a pipeline of approximately 1,100 townhouses and apartments.

Maintain strong capital management

We continued to maintain a strong focus on capital management throughout the year. Our robust capital position allowed us to be proactive in implementing initiatives in response to COVID-19. At 30 June 2020, the Group's gearing[19] was 28.8%, within the Company's target range of 20% to 30%. Additionally, the recycling of c.$75 million of capital over the next 18 to 24 months from the divestment of non-core assets will further strengthen the Group's balance sheet.

Peet enters FY21 with cash and debt facility headroom of $134.7 million as at 30 June 2020 and a weighted average debt maturity of over two years. This provides the capacity to accelerate delivery of product to meet the material increase in demand following the introduction of Government stimulus.

OUTLOOK

FY21 is expected to remain challenging as the various economic and social consequences of COVID-19 continue to develop and impact both the property industry and country more broadly.

Low interest rates, accommodating credit conditions and Government stimulus are positive for the residential sector. However, there remain uncertainties around the impact of the roll-off of Government stimulus, including on the rate of unemployment and the impact of COVID-19 on the Federal Government's immigration policy. Accordingly, the Group continues to adopt a cautious approach as it enters FY21.

In a year of unprecedented change, I would like to thank Chairman Tony Lennon and our board for their contributions and insight during the year. Thanks also to Peet's management team and staff for their commitment and dedication in what was a challenging year.

Lastly, thank you to our loyal shareholders who continue to support Peet. I look forward to updating you on our progress during the year.

Brendan Gore
Managing Director and Chief Executive Officer

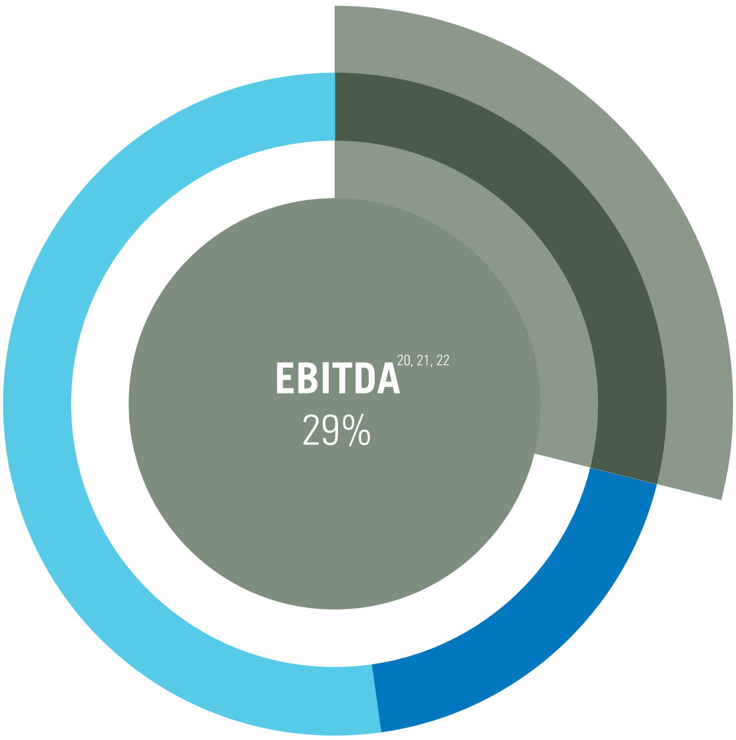
17 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
18 Includes equivalent lots.
19 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

When the pandemic impacted Australia in March 2020, we took decisive action to protect our people, residents and the balance sheet through a variety of initiatives.

Image: Pier Street, WA

FUNDS MANAGEMENT *projects*

The Peet group manages a number of projects on behalf of land syndicates using funds raised from a combination of wholesale, institutional and retail investors. It also manages projects under project management and co-investment arrangements. This provides Peet a capital efficient profit source which is difficult to replicate while also providing long term earnings visibility.



Comprised 61%[23] OF GROUP'S LAND BANK

28,893 lots[24]

GDV[25] **$8.2 billion**

20 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
21 Before inter-segment transfers and other unallocated items.
22 Pre divestment and related provisions of $61.0 million (before tax).
23 By number of lots.
24 Includes equivalent lots.
25 Gross Development Value.

LOTS SOLD[26]

FY20
1,412
value of
$310.0 million

FY19
909
value of
$193.8 million

LOTS SETTLED[26]

FY20
924
Gross value of
$217.9 million

FY19
1,535
Gross value of
$355.2million

CONTRACTS ON HAND[26]

FY20
1,173
Total value of
$241.2 million

FY19
685
Total value of
$149.0 million

EBITDA[27]

FY20
$13.0
million

FY19
$24.4
million

EBITDA MARGIN[27]

FY20
53%

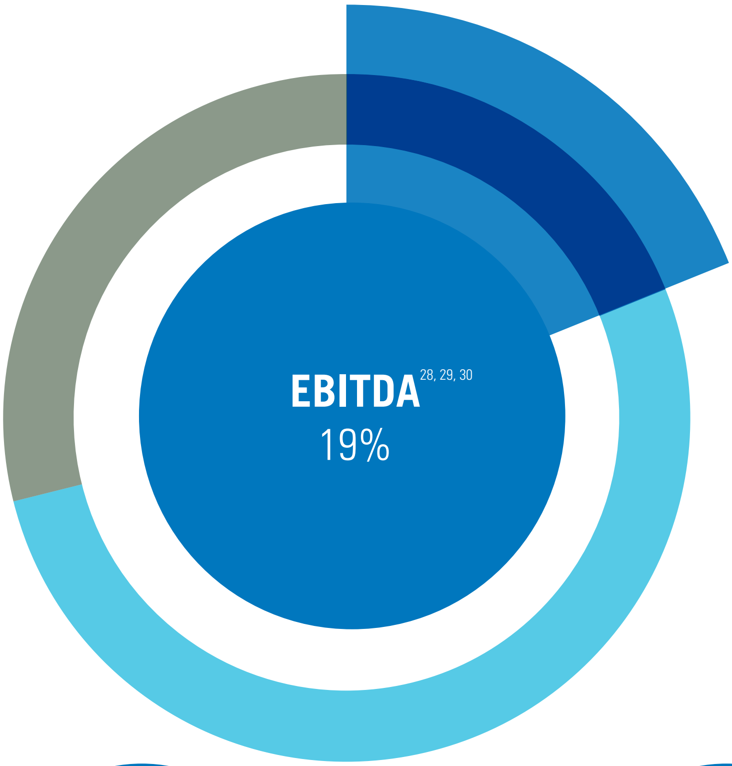
FY19
71%

Image: Shorehaven Alkimos, WA

26 Includes equivalent lots.
27 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates.

JOINT ventures

The Peet Group has a number of high-profile joint venture projects, which are generally entered into on a 50/50 basis with Governments, statutory authorities, private land owners or partner developers.



Comprised **15%**[31] OF GROUP'S LAND BANK

7,090 lots[32]

GDV[33] **$3.1 billion**

28 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
29 Before inter-segment transfers and other unallocated items.
30 Pre divestment and related provisions of $61.0 million (before tax).
31 By number of lots.
32 Includes equivalent lots.
33 Gross Development Value.

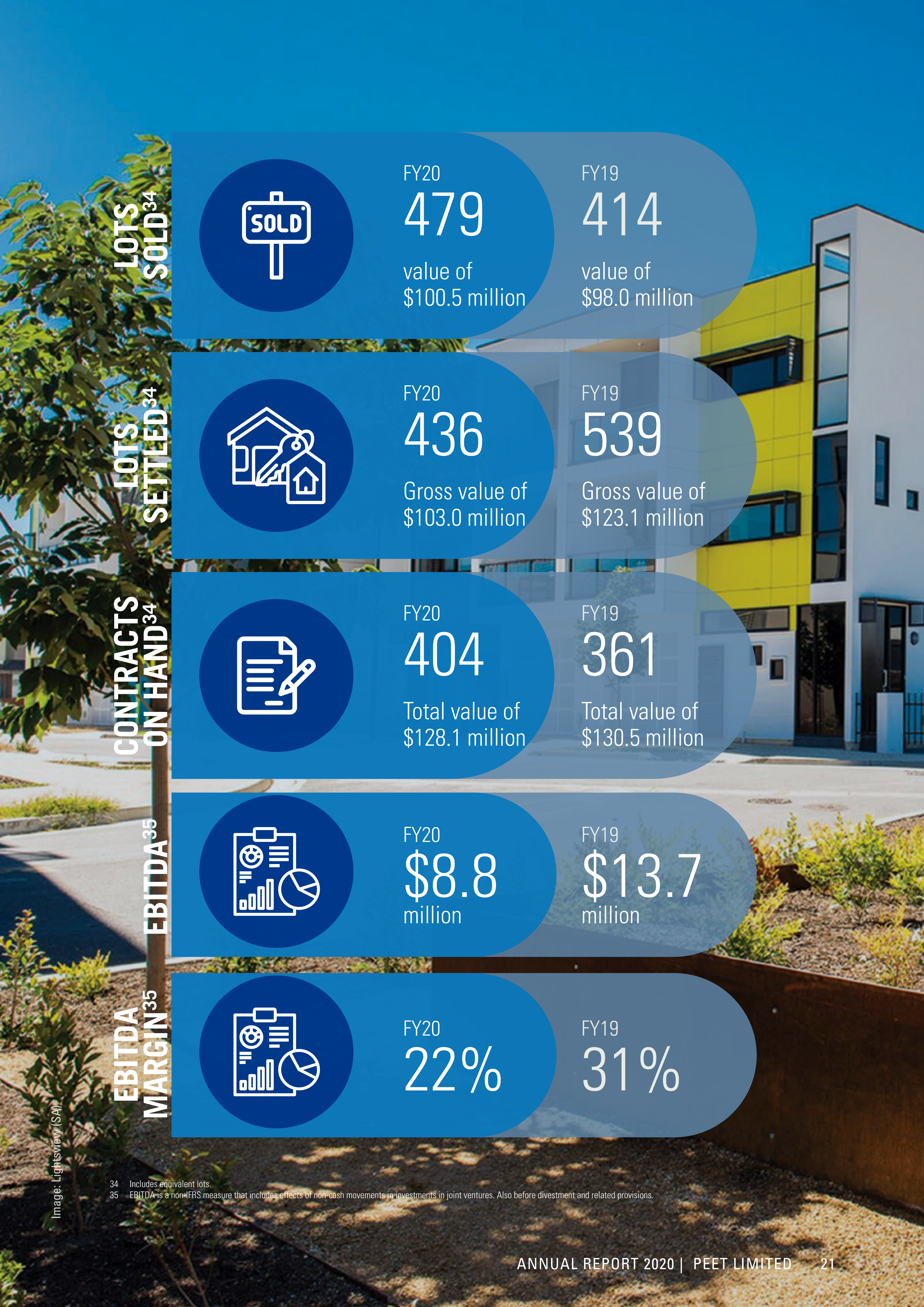


Image: Lightsview (SA)

LOTS SOLD[34]

FY20
479
value of $100.5 million

FY19
414
value of $98.0 million

LOTS SETTLED[34]

FY20
436
Gross value of $103.0 million

FY19
539
Gross value of $123.1 million

CONTRACTS ON HAND[34]

FY20
404
Total value of $128.1 million

FY19
361
Total value of $130.5 million

EBITDA[35]

FY20
$8.8 million

FY19
$13.7 million

EBITDA MARGIN[35]

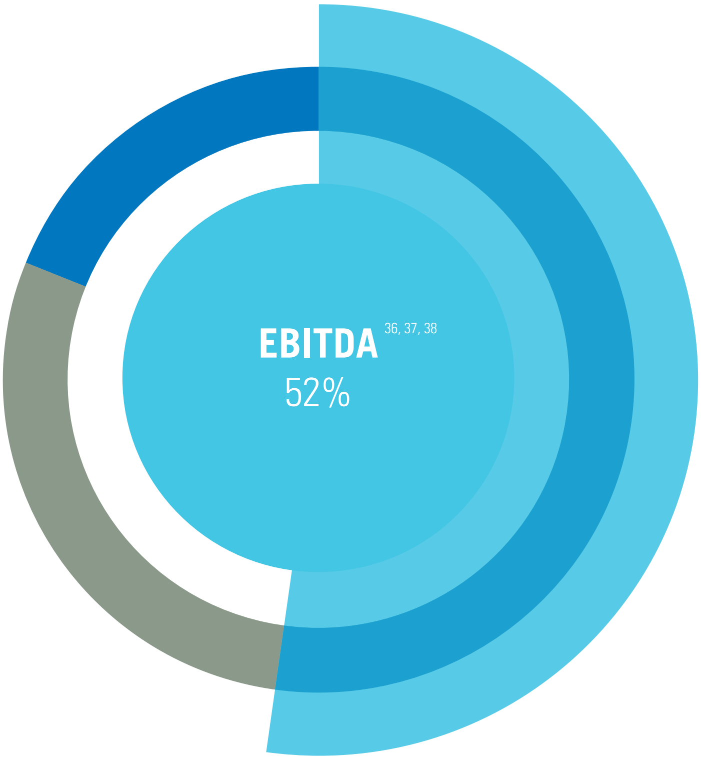
FY20
22%

FY19
31%

34 Includes equivalent lots.
35 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in joint ventures. Also before divestment and related provisions.

DEVELOPMENT *projects*

Peet's Development projects are 100% owned by Peet and held on its balance sheet. 100% of returns are collected upon development, sale and settlement of these projects, generating solid margins.



Comprised[39]
24%
OF GROUP'S LAND BANK

11,340 lots[40]

GDV[41]
$2.6 billion

36 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
37 Before inter-segment transfers and other unallocated items.
38 Pre divestment and related provisions of $61.0 million (before tax).
39 By number of lots.
40 Includes equivalent lots.
41 Gross Development Value.

Image: Tonsley Village, SA

LOTS SOLD[42]

FY20
432
value of $118.2 million

FY19
306
value of $67.9 million

LOTS SETTLED[42]

FY20
434
Gross value of $115.8 million

FY19
555
Gross value of $163.1 million

CONTRACTS ON HAND[42]

FY20
209
Total value of $58.4 million

FY19
211
Total value of $56.0 million

EBITDA[43]

FY20
$23.5 million

FY19
$58.5 million

EBITDA MARGIN[43]

FY20
18%

FY19
32%

42 Includes equivalent lots.
43 Before divestment and related provisions.

LIVING SUSTAINABLY
Environment Social and Innovation

As Australia grows, Peet provides places to build new homes. In doing so, Peet is not just creating homes but communities that become part of Australia's urban fabric for decades to come. As such, Peet focuses on planning, designing and developing communities that minimise the impact it has on the environment while looking for ways to make communities thrive.

BRABHAM ESTATE – A 6 STAR 'GREEN STAR' COMMUNITY

Peet's newest community in Western Australia, Brabham Estate has in its first year been awarded a 6 Star 'Green Star Communities' certification by the Green Building Council of Australia, making it a World Leading Sustainable Development.

The certification reflects our commitment to build sustainable outcomes for the lifecycle of the project across categories of liveability, environment, economic prosperity, governance and innovation. Initiatives at Brabham Estate include:

- Creating a green environment by investing in alternative water solutions
- Reducing waste by reusing and recycling materials
- Retention of existing bushland
- Designing for healthy and active lifestyles through thoughtful streetscapes and infrastructure linking residents to parks
- Facilitating neighbourhood connections through investment in community
- Planting up to double the number of trees required by Council
- Investigating a community battery network and exploring eco-friendly technology

GOOGONG TRIALS INNOVATIVE RECYCLED ROAD PRODUCT

Googong is adding to its already extensive sustainability credentials with the trial of a new innovative recycled road product, known as Reconophalt - a first for the ACT / Queanbeyan region.

A one kilometre, two-lane road paved with Reconophalt can contain 500,000 plastic bags and packaging equivalents, 165,000 glass bottle equivalents and toner from 12,000 used printer cartridges. The trial will be implemented in the netball precinct with a view to it being used more widely on the remaining roads at Googong.

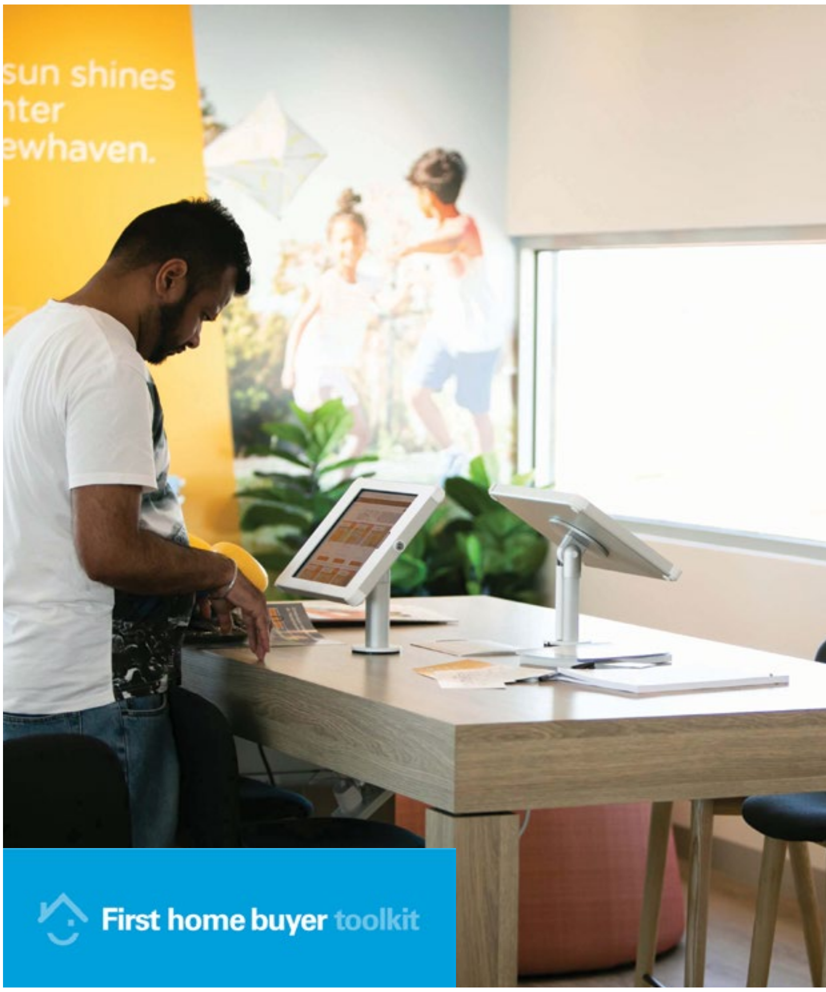
In addition to the environmental benefits from the recycled asphalt, there is a 65 per cent improvement in fatigue for longer life pavements when compared to standard asphalt.

Googong continues to be at the forefront of sustainable design by incorporating new and innovative technologies across a range of areas to benefit its residents, which has seen the community win numerous awards including the 2019 UDIA NSW Best Masterplanned Community.

CONSERVATION OF THE SOUTHERN BROWN BANDICOOT AT SUMMERHILL, BOTANIC RIDGE

Summerhill, located within Botanic Ridge in Melbourne's south east, has a unique ecological landscape rich in fauna and flora. In line with the project's Conservation Management Plan and Peet's ongoing commitment to sustainability, Peet has worked with key stakeholders to develop a plan to protect the population of the Southern Brown Bandicoot within the corridor from being landlocked.

The corridors comprise of drainage reserves and include revegetation and landscaping suitable for the Southern Brown Bandicoot.



HELPING FIRST HOME BUYERS THROUGH THE BUYING JOURNEY

The home buying journey can be overwhelming and daunting for first-time buyers and Peet identified a need to provide additional support to customers to help guide them through the process. Peet's First Home Buyer Toolkit, simplified into an easy to follow five step process, offers buyers comprehensive downloadable guides, checklists and Q&A videos with experts.

Available completely online allowing customers the opportunity to work through the steps at their own pace, the Toolkit received an overwhelming response when launched during COVID-19, with buyers recognising the opportunity to use this time to prepare for this exciting next chapter in their lives.

INNOVATION, SUSTAINABILITY AND COMMUNITY CONNECTION AT FLAGSTONE

Flagstone, located near Jimboomba, QLD, is a large master-planned community that will eventually feature a CBD servicing approximately 150,000 people. In only a few years of operation, the project has delivered significant amenities for the community including drawcard parks, playgrounds and retail options.

The latest feature in the Regional Rec Park is the Waterplay Park, which has not only provided a great source of play and community connection but has also been delivered sustainably. The Waterplay Park has been designed as a fully recirculated water system ensuring water usage is minimal. Among the many sustainable features, the park runs on sensors with the water delivery system shutting down when not in use, and reactivating when sensors are contacted.

A full-size Coles supermarket is now open within the commercial precinct offering Flagstone residents convenience and choice right on their doorstep. The Coles carpark also includes an Electric Vehicle Charging Station which is managed through ChargeFox. The station is powered by 100% renewable energy, offering a sustainable and cost-effective mobility option.

FOSTERING COMMUNITY CONNECTION DURING COVID-19

Facilitating community connection has become more important than ever during the COVID-19 pandemic. Peet has a proud history of community engagement, and in response to social distancing requirements, we explored opportunities to connect digitally with our communities across the country.

At the close-knit community of Googong in NSW, a program of community initiatives was rolled out to continue community connection and bring much-needed entertainment to our residents - all delivered virtually. Programs included music concerts, dance classes, plus the chance to have a special 'Driveway Portrait' taken. A professional photographer visited hundreds of homes within the community to take socially-distanced portraits of Googong families to record this time in their lives.

A LONG RELATIONSHIP SUPPORTING THE COMMUNITY WITH THE BEDFORD GROUP

The Bedford Group is an organisation that supports people living with disability by providing employment opportunities. Peet is proud to have been working with the Bedford Group for 12 years across landscaping projects in our communities in South Australia.

Beginning with a small team that undertook landscaping of front gardens and verges, the Bedford Group now have approximately 35 staff working on Peet projects and tender for all Peet's landscaping work.

Bedford Group have delivered a range of large-scale, high quality landscape projects for Peet, including the landscaping of seven large reserves at Lightsview, the linear reserve at Bluestone Mount Barker and street landscaping at Tonsley Village. Landscaping work on the larger reserve at Lightsview involved pouring of concrete walls and footpaths, installing irrigation systems, installation of shelters and furniture, installation of rain gardens, planting of trees, shrubs and groundcover, along with laying of instant turf and mulch.

Corporate CALENDAR FY2021

5 OCTOBER 2020
Interest payment date for Peet Bond holders (PPCHB)

16 OCTOBER 2020
Annual Report and Notice of 2020 AGM dispatched to shareholders

26 OCTOBER 2020
Record date for final FY20 dividend

19 NOVEMBER 2020
2020 Annual General Meeting

19 NOVEMBER 2020
Payment date of final FY20 dividend

7 DECEMBER 2020
Interest payment date for unlisted notes

16 DECEMBER 2020
Interest payment date for Peet Bond holders (PPCHA)

5 JANUARY 2021
Interest payment date for Peet Bond holders (PPCHB)

FEBRUARY 2021
Release of results for the half-year ending 31 December 2020

5 APRIL 2021
Interest payment date for Peet Bond holders (PPCHB)

7 JUNE 2021
Interest payment date for unlisted notes

7 JUNE 2021
Final interest payment date and maturity date for Peet Bond holders (PPCHA)

Image: Lakelands Estate, WA

PEET

Life YOUR WAY

PEET LIMITED | ANNUAL REPORT 2020

FINANCIAL REPORT

30 JUNE 2020

CONTENTS

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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 2020 ('the Group').

01. 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 general commercial experience and 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.

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. He is a World Fellow Member of The Duke of Edinburgh's International Award.

Brendan Gore, BComm, FCPA, FGIA, FCG (CS, CGP), 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's strategy through its land bank expansion, diversification of its product offering 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.

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 large scale operations, strategy development and implementation, as well as expertise in debt and equity markets.

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

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

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 qualification whilst working for 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.

01. DIRECTORS (CONTINUED)

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

In 2019 he became a director of Habitat for Humanity (Vic). Part of a worldwide organisation, it is a registered charity which assists low income families into affordable home ownership and out of the rental market by providing no interest mortgages.

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 Finance and Audit Committee and is a member of its Risk and Compliance Committee and of its People and Culture Committee.

In addition, Mr Allen is a 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 is also a non-executive director of TopCo Investments Pte Ltd, a Singapore company which is the holding company of Real Pet Food Company Limited, where he chairs its Risk and Sustainability Committee and is the Deputy Chair of its Finance and Audit Committee.

Mr Allen is a former Non-executive Director of Yowie Group Limited (resigned January 2018) and Brighte Capital Pty Limited. He is also a former Alternate Director, Company Secretary and Public Officer of Australian Fresh Milk Holdings Pty Ltd.

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.

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 a former director of Western Power.

Robert McKinnon, FCPA, FGIA, FCG (CS, CGP), MAICD
Lead 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.

Mr McKinnon is also Non-executive Chairman of M8 Sustainable Limited.

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.

02. 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.

As at 30 June 2020, the Group employed 215 people in offices throughout Australia and managed and marketed a land bank of more than 47,300 lots in the growth corridors of major mainland Australian cities.

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS

OPERATING AND FINANCIAL REVIEW

Key results[1]

- Operating profit[2] after tax of $15.1 million and statutory loss[3] after tax of $30.1 million
- Operating earnings per share of 3.1 cents and statutory loss per share of 6.2 cents
- FY20 dividends of 1.5 cents per share, fully franked
- Revenue[4] of $196.3 million, with 1,794 lots settled
- Restructuring and divestment-related provisions of $45.2 million after tax
- EBITDA[5] of $37.0 million (before restructuring and divestment-related provisions)
- 1,786 contracts on hand[6] as at 30 June 2020
- Gearing[7] of 28.8%

Financial commentary

The Peet Group achieved an operating profit[2] after tax of $15.1 million and statutory loss[3] after tax of $30.1 million for the year ended 30 June 2020, which represent decreases of 68% and 163% respectively on FY19.

The operating result is on the back of lower settlements impacted by the lower contracts on hand as at 30 June 2019 and the completion of projects in 30 June 2019 and into 30 June 2020. The onset of the COVID-19 pandemic towards the end of 3Q20, together with Government restrictions and protocols and the Company's own responses to protect the health and safety of its employees and its balance sheet, also had a negative impact on the FY20 results.

In July 2020, the Group announced that with a view to resetting the focus of the business on key growth corridors around the country, it will seek to divest non-core projects, including regional and sub-regional projects. This is expected to result in the recycling of circa $75 million of capital over the next 18 to 24 months and simplify the Group's operating structure. While it is expected that these measures will result in annualised overhead and fixed cost savings of $5 - 7 million once fully implemented in 2H21, it has also resulted in a restructuring and divestment-related provision of $45.2 million after tax in FY20.

The Group derived EBITDA[5] of $37.0 million (before restructuring and divestment-related provisions) during FY20, compared to $86.0 million in FY19, with an EBITDA[5] margin of 19%, compared to the margin achieved in FY19 of 33%. This margin reduction is attributable to the completion of high margin projects in ACT/NSW and Vic and the Group's reduced development expenditure on new stock in response to COVID-19.

The performance has resulted in an operating earnings per share of 3.1 cents (statutory loss per share of 6.2 cents) for FY20, compared to 9.8 cents in FY19.

1 Comparative period is 30 June 2019, 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 / unrealised transactions outside the core ongoing business activities. In FY20, a restructuring and divestment-related provision of $45.2 million after tax was excluded in calculating the operating profit.
3 Statutory profit / (loss) after tax means net profit / (loss) measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.
4 Includes statutory revenue of $188.2 million (FY19: $249.5 million) and share of net profits from associates and joint ventures of $8.1 million (FY19: $13.3 million)
5 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
6 Includes equivalent lots.
7 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

The Group has maintained its focus on prudent capital management. The Group entered 2H20 in a strong capital position, which allowed it to proactively implement capital management initiatives in response to COVID-19. At 30 June 2020, the Group's gearing[8] was 28.8% and within the Company's target range of 20% to 30%.

COVID-19 responses

In response to COVID-19, the Group proactively implemented a range of measures to protect the safety of employees and other stakeholders, as well as capital management initiatives to shore up liquidity and protect the balance sheet, including:

prioritising the safety and wellbeing of Peet's employees, customers and residents;

- a reduction or deferral of non-essential variable operating expenditures and corporate overheads, including placing a freeze on remuneration and implementing other cost saving measures;
- a voluntary 20% reduction in Directors' fees and the fixed salaries of Leadership Team members from 1 May 2020 to
- 31 July 2020;
- a temporary 20% reduction in working hours across the balance of the Peet Team (with a pro-rata reduction in base pay) from 1 May 2020 to 31 July 2020;
- the deferral of the commencement of new projects;
- minimising development capital expenditure to reflect management forecasts for COVID-19 sales rates pre-Government stimulus; and
- a strong focus on managing the settlement risk of contracts on hand.

Operational commentary

The Group achieved 2,323 sales[9] (with a gross value of $528.7 million) for the full year across its Funds Management, Development and Joint Venture projects, representing an increase of 43% on the number of sales achieved in FY19.

1H20 sales showed a solid increase on the previous six months and sales activity continued to improve in the first two months of CY2020. However, the impact of the COVID-19 pandemic and associated restrictions contributed to lower sales in April 2020 on the back of lower customer traffic and enquiry levels during the latter part of March 2020.

Enquiry levels and digital traffic recovered strongly in April 2020, with Peet's sales offices generally fully operational in WA, ACT/NSW, SA and Qld with the easing of Government restrictions. The introduction of Government stimulus (including the Federal Government's HomeBuilder grant and the WA State Government's Building Bonus grant) resulted in a significant increase in enquiries and sales across the Group's portfolio in the latter half of the June 2020 quarter.

Enquiry levels increased by 75% during the quarter ended 30 June 2020, compared to the quarter ended 31 March 2020. Sales increased 57% compared to the quarter ended 31 March 2020 and 25% compared to the quarter ended 31 December 2019.

The Group achieved 1,794 settlements[9] for the full year across its Funds Management, Development and Joint Venture projects, representing a decrease of 32% compared with FY19. This decrease was on the back of the lower contracts on hand at 30 June 2019, the completion or substantial completion of a number projects in FY19 and the minimising of development expenditure on new stock in response to COVID-19.

At 30 June 2020, there were 1,786 contracts on hand[9], with a gross value of $427.7 million, compared with 1,257 contracts on hand[9] with a gross value of $335.5 million at 30 June in 2019. This represents an increase of 42% in contracts on hand[9] and a 27% increase in contract value, providing a positive momentum into FY21.

8 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
9 Includes equivalent lots.

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

Funds management projects

Key highlights

- 1,412 lots sold[10] for a gross value of $310.0 million, compared with 909 lots sold[10] ($193.8 million) in FY19.
- 924 lots settled[10] for a gross value of $217.9 million, compared with 1,535 lots settled[10] ($355.2 million) in FY19.
- 1,173 contracts on hand[10] as at 30 June 2020 with a total value of $241.2 million, compared with 685 contracts on hand[10] ($149.0 million) as at 30 June 2019.
- EBITDA[11] of $13.0 million compared with $24.4 million in FY19.
- EBITDA[11] margin decreased to 53% from 71% in FY19.

While sales increased 55% during the year, the 40% reduction in settlements resulted in EBITDA[11] reducing 47%.

The increase in sales was experienced across the country, but particularly in WA, which saw some level of pent up demand bolstered by the introduction of Federal and State Government stimulus and also saw the release of the first stage of the Brabham project.

As at 30 June 2020, approximately 61% of the Group's land bank comprised Funds Management projects. This business provides Peet with a capital-lite earnings base which contributed approximately 29% of the Group's EBITDA[11,12] (before divestment and related provisions) for FY20.

Development projects

Key highlights

- 432 lots sold[10] for a gross value of $118.2 million, compared with 306 lots sold[10] ($67.9 million) in FY19.
- 434 lots settled[10] for a gross value of $115.8 million, compared with 555 lots settled[10] ($163.1 million) in FY19.
- 209 contracts on hand[10] as at 30 June 2020 with a total value of $58.4 million, compared with 211 contracts on hand[10] ($56.0 million) as at 30 June 2019.
- EBITDA[11] of $23.5 million (before divestment and related provisions) compared with $58.5 million in FY19.
- EBITDA[11] margin of 18% (before divestment and related provisions) compared with 32% in FY19.

The 41% increase in sales from the Development business was driven by new projects released during the year in Qld and Vic.

With settlements down 22%, Development projects' EBITDA[11] contribution (before divestment and related provisions) reduced 60%. This reduction is primarily due to the lower number of settlements achieved from Craigieburn (Vic) as its first phase completed.

As at 30 June 2020 approximately 24% of the Group's land bank comprised Development projects.

Joint Ventures

Key highlights

- 479 lots sold[10] for a gross value of $100.5 million, compared with 414 lots sold[10] ($98.0 million) in FY19.
- 436 lots settled[10] for a gross value of $103.0 million, compared with 539 lots settled[10] ($123.1 million) in FY19.
- 404 contracts on hand[13] as at 30 June 2020 with a total value of $128.1 million, compared with 361 contracts on hand[10] ($130.5 million) as at 30 June 2019.
- EBITDA[11] of $8.8 million (before divestment and related provisions) compared with $13.7 million in FY19.
- EBITDA[11] margin of 22% (before divestment and related provisions) compared with 31% in FY19.

Sales increased 16% during the year on the back of increases from the Wellard (WA) and Googong (NSW) projects.

Settlements were 19% lower in FY20, compared to FY19, resulting in the EBITDA[11] contribution (before divestment and related provisions) reducing 36%.

10 Includes equivalent lots.
11 EBITDA is a non-IFRS measure that includes effects of non-cash movements in investments in associates and joint ventures.
12 Before inter-segment transfers and other unallocated items.

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

As at 30 June 2020 approximately 15% of the Group's land bank comprised Joint Venture projects, with major projects located in Qld, NSW, WA and SA.

Land portfolio metrics

	FY20	FY19	Change
Lot sales[13]	2,323	1,629	43%
Lot settlements[13]	1,794	2,629	(32%)
Contracts on hand as at 30 June[13]			
Number	1,786	1,257	42%
Value	$427.7 million	$335.5 million	27%

CAPITAL MANAGEMENT

The Group continues to apply a prudent focus on capital management and its gearing[14] as at 30 June 2020 was 28.8% and within its target range of 20% to 30%.

At 30 June 2020, the Group had net interest-bearing debt[15] (including Peet Bonds) of $235.3 million, compared with $211.6 million at 30 June 2019.

Peet enters FY21 with cash and debt facility headroom of $134.7 million as at 30 June 2020 and a weighted average debt maturity of over two years. It has the capacity to accelerate delivery of product to meet the material increase in demand following the introduction of Government stimulus.

During FY20, Peet Limited:

- extended its on-market share buy-back of up to 5% of its issued ordinary shares. As at 30 June 2020, the Company had acquired 6.7 million of its ordinary shares, representing approximately 27% of the total shares to be acquired, and subsequent to year end announced that the on-market buy-back has been extended for a further 12 months; and
- had pre-emptive discussions with the Group's syndicate of banks resulting in variations to its senior debt facility, which have provided a waiver of the measurement of the Group's debt covenants out to 30 June 2021, taking account of the Group's COVID-19 responses and the organisational restructure announced to the market in July 2020.

DIVIDENDS

Subsequent to year end, the Directors declared a final dividend for FY20 of 1.0 cent per share, fully franked. This brings the total dividend for FY20 to 1.5 cents per share. This compares to the FY19 dividend of 5.0 cents per share, fully franked. The final FY20 dividend is to be paid on Thursday, 19 November 2020, with a record date of Monday, 26 October 2020.

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

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.

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

- selectively acquiring residential land holdings as cycles, markets and opportunities allow to restock the project pipeline with a focus on securing low cost projects;
- expanding market reach by continuing to broaden its product offering in medium density townhouses and low-rise apartment product;
- delivering affordable product targeted at the low and middle market segments; and
- maintaining a strong balance sheet and cash flow position.

13 Includes equivalent lots
14 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
15 Including net debt of syndicates consolidated under AASB10.

03. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS (CONTINUED)

RISKS

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

In respect to climate change, the Group's focus is currently on understanding and mitigating climate change risks on development approvals processes, reputational matters and reporting obligations.

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. This continues to include managing risks associated with changing consumer preferences for products – size, location, product typology (house and land, low-rise apartments and medium density townhouses).

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 17 to the Financial Report.

OUTLOOK

FY21 is expected to remain challenging as the various economic and social consequences of COVID-19 continue to develop and impact both the property industry and country more broadly.

Low interest rates, accommodating credit conditions and Government stimulus are positive for the residential sector. However, there remain uncertainties around the impact of the roll-off of Government stimulus, including on the rate of unemployment and the impact of COVID-19 on the Federal Government's immigration policy. Accordingly, the Group continues to adopt a cautious approach as it enters FY21.

04. EARNINGS PER SHARE

	2020 Cents	2019 Cents
Basic and diluted (loss)/ earnings per share	(6.19)	9.79

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 2020. The weighted average number of shares on issue used to calculate earnings per share is discussed at note 7 to the Financial Report.

05. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

06. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than the final FY20 dividend (details of which are included below), 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.

07. DIVIDENDS

In August 2019, the Directors declared a final dividend of 3.0 cents per share, fully franked, in respect of the year ended 30 June 2019. The dividend of $14.5 million was paid on Monday, 7 October 2019.

In February 2020, the Directors declared an interim dividend of 0.5 cents per share, fully franked, in respect to the year then ending 30 June 2020. The dividend of $2.4 million was paid on Thursday, 9 April 2020.

Subsequent to year end, the Directors declared a final dividend for FY20 of 1.0 cent per share, fully franked. This brings the total dividend for FY20 to 1.5 cents per share. This compares to the FY19 dividend of 5.0 cents per share, fully franked. The final FY20 dividend is to be paid on Thursday, 19 November 2020, with a record date of Monday, 26 October 2020.

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

08. 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, which is the responsibility of the relevant contractor undertaking the works, and the remainder of the Group's activities fall below the reporting thresholds for the FY20 reporting period.

09. 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	21	21	–	–	–	–	4	4
B D Gore	21	21	–	–	–	–	4	4
A J Lennon	21	20	7	7	3	2	4	3
T J Allen	21	20	7	7	3	3	4	2
V Krause	21	21	–	–	3	3	4	4
R J McKinnon	21	20	7	7	3	3	4	3

On some occasions, Board and Committee meetings may have been called or rescheduled on short notice which meant that some Directors may not have been able to attend.

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 Ms V Krause and Mr A J Lennon will retire by rotation and offer themselves for re-election. Your Board of Directors recommend the re-election of Ms V Krause and Mr A J Lennon.

12. REMUNERATION

Dear Shareholder,

Peet is pleased to present its Remuneration Report for the year ended 30 June 2020. 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"). It focuses on the remuneration decisions made by the Board and the pay outcomes that resulted.

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.

Peet achieved an operating net profit after tax of $15.1 million and a statutory loss after tax of $30.1 million for the 2020 financial year, compared to an operating and statutory net profit after tax of $47.5 million in the previous year.

While the statutory financial statements show total revenue of $196.3 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of ($24.1) 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 $196.3 million and EBITDA of ($24.1) million, the properties that Peet is also responsible for within its Fund Management and Joint Arrangement businesses generated revenues of $269.6 million and EBITDA of $36.2 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 during the year ended 30 June 2020 included:

- The MD's base pay for the year ended 30 June 2020 was the same as for the previous year.
- There were no increases in the base pay of the other KMP, including NEDs, during the year ended 30 June 2020.
- Short–term incentives will not be paid to the KMP in respect of the year ended 30 June 2020 in response to Peet's financial performance during the year.
- During the year, long-term incentive performance conditions were tested as at 30 June 2019 in respect to the performance over the three years ended on that date resulting in the vesting of performance rights. The vesting was met by way of ordinary shares acquired on market during the 2020 financial year.
- In response to COVID-19:
    - all members of the Leadership Team, as well as other members of senior management, took a voluntary 20% reduction of fixed salaries for the last two months of FY20. This was extended to 31 July 2020; and
    - all NEDs took a voluntary 20% reduction of Directors' fees for the last two months of FY20. This was extended to 31 July 2020.

Peet also takes the opportunity to confirm that the MD's base pay for the year ending 30 June 2021 will be the same as 2020, 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 FY21 base pays of all other KMP, including NEDs, will remain the same as their FY20 base pays.

We encourage our shareholders to use the cash value of remuneration realised table on page 46 to assess the remuneration outcomes for KMP in the year ended 30 June 2020 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 2020 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 2020. Base pays are reviewed annually by the Remuneration Committee
2 Termination benefits are payable on early termination by Peet Limited giving notice in writing. Payment may be made in lieu of notice, other than for gross misconduct.
3 Termination benefits referred to in the above table are in addition to any statutory entitlements payable (e.g. accrued annual leave and long service leave.
4 On 5 August 2011 B D Gore renewed his contractual arrangements with the Company. Under the agreement the components of his remuneration comprise fixed annual remuneration, short-term incentives and long-term incentives. There is no fixed termination date and the agreement is terminable on six months notice by either party. The Company may, at its option, make a payment in lieu of part or all of the notice period and certain conditions exist in relation to payment of long-term and short-term incentives upon termination. A summary of the key contractual terms and remuneration-related arrangements was disclosed to the market on 5 August 2011 with certain parts approved by shareholders at the 2011 AGM.

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

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

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

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

Alignment to shareholders' interests

- has a relevant measurement of financial performance as a core component of plan design;
- rewards implementation of strategy;
- focuses the Executive on other key financial and non-financial drivers of long-term value; and
- attracts and retains high-calibre executives.

For the purpose of assessing Executives' eligibility to short-term incentives, the Remuneration Committee and Board have traditionally agreed to the use of a balanced scorecard. This methodology will continue to be used for the 2020 financial year, and will comprise a combination of financial and non-financial key performance indicators.

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 were also used for the 2020 financial year and will continue to be used for the 2021 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.

NEDs' 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 2018 (after last being amended with effect from 1 July 2014). NEDs may also be entitled to fees where they represent Peet on the Board of Syndicates.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

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.

NEDs' fees for the 2021 financial year will be the same as the 2020 financial year.

Executive pay

The Company's pay and reward framework for Executives 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 2020 financial year.

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 2020 and 2019 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.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

For the year ended 30 June 2020, the MD and other Executives were assessed as follows against the KPIs:

	Weighting		**% Achieved**		**% Forfeited**	
Category	MD	Executives	MD	Executives	MD	Executives
Financial	70.0%	65.0% to 80%	0.0%	0.0%	100%	100%
Strategic	10.0%	7.5% to 35.0%	0.0%	0.0%	100%	100%
Stakeholder	7.5%	0.0% to 2.5%	0.0%	0.0%	100%	100%
People, processes and culture	7.5%	0.0% to 12.5%	0.0%	0.0%	100%	100%
Health, safety and environment	5.0%	0.0% to 12.5%	0.0%	0.0%	100%	100%
	100.0%	100.0%	0.0%	0.0%		

For the year ended 30 June 2019, 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 2020 and 2019 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'.

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 47. 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.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

		Cash salary and fees[1] $	Bonus[2] $	Value of PRs vested[3] $	Other[4] $	Superannuation $	Total $
DIRECTORS							
A W Lennon	**2020**	**224,129**	–	–	–	**21,292**	**245,421**
	2019	231,857	–	–	–	24,462	256,319
T J Allen	**2020**	**138,395**	–	–	–	**13,148**	**151,543**
	2019	143,167	–	–	–	13,601	156,768
V Krause	**2020**	**89,841**	–	–	–	**8,535**	**98,376**
	2019	92,939	–	–	–	8,829	101,768
R J McKinnon	**2020**	**111,911**	–	–	–	**10,632**	**122,543**
	2019	115,770	–	–	–	10,998	126,768
A J Lennon	**2020**	**147,841**	–	–	–	**8,535**	**156,376**
	2019	152,939	–	–	–	8,829	161,768
B D Gore[5]	**2020**	**885,054**	–	–	**10,000**	**21,003**	**916,057**
	2019	916,769	740,467	1,040,125	10,000	20,531	2,727,892
Total	**2020**	**1,597,171**	–	–	**10,000**	**83,145**	**1,690,316**
	2019	1,653,441	740,467	1,040,125	10,000	87,250	3,531,283
OTHER KEY MANAGEMENT PERSONNEL							
P J Dumas	**2020**	**443,833**	–	–	–	**25,000**	**468,833**
	2019	460,000	205,155	–	–	25,000	690,155
D Scafetta	**2020**	**317,331**	–	**226,705**	–	**21,003**	**565,039**
	2019	329,469	138,250	194,197	–	20,531	682,447
B C Fullarton	**2020**	**400,333**	–	–	–	**25,000**	**425,333**
	2019	415,000	165,000	244,135	–	25,000	849,135
Total	**2020**	**1,161,497**	–	**226,705**	–	**71,003**	**1,459,205**
	2019	1,204,469	508,405	438,332	–	70,531	2,221,737

1 Cash salary (including accrued annual leave) 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 years ended 30 June 2019 and 2020. 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.
5 During the year, B D Gore cashed out $327,010 of his accrued annual leave.

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								
AW Lennon	**2020**	**224,129**	–	–	**21,292**	–	–	**245,421**
	2019	231,857	–	–	24,462	–	–	256,319
T J Allen	**2020**	**138,395**	–	–	**13,148**	–	–	**151,543**
	2019	143,167	–	–	13,601	–	–	156,768
V Krause	**2020**	**89,841**	–	–	**8,535**	–	–	**98,376**
	2019	92,939	–	–	8,829	–	–	101,768
R J McKinnon	**2020**	**111,911**	–	–	**10,632**	–	–	**122,543**
	2019	115,770	–	–	10,998	–	–	126,768
A J Lennon	**2020**	**147,841**	–	–	**8,535**	–	–	**156,376**
	2019	152,939	–	–	8,829	–	–	161,768
B D Gore[5]	**2020**	**885,054**	–	**10,000**	**21,003**	**518,760**	–	**1,434,817**
	2019	916,769	740,467	10,000	20,531	229,121	–	1,916,888
Total	**2020**	**1,597,171**	–	**10,000**	**83,145**	**518,760**	–	**2,209,076**
	2019	1,653,441	740,467	10,000	87,250	229,121	–	2,720,279
OTHER KEY MANAGEMENT PERSONNEL								
P J Dumas	**2020**	**443,833**	–	–	**25,000**	**160,006**	–	**628,839**
	2019	460,000	205,155	–	25,000	77,273	–	767,428
D Scafetta	**2020**	**317,331**	–	–	**21,003**	**96,224**	–	**434,558**
	2019	329,469	138,250	–	20,531	46,470	–	534,720
B C Fullarton	**2020**	**400,333**	–	–	**25,000**	**120,967**	–	**546,300**
	2019	415,000	165,000	–	25,000	58,419	–	663,419
Total	**2020**	**1,161,497**	–	–	**71,003**	**377,197**	–	**1,609,697**
	2019	1,204,469	508,405	–	70,531	182,162	–	1,965,567

1 Cash salary (including accrued annual leave) 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.
5 During the year, B D Gore cashed out $327,010 of his accrued annual leave.

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	
	2020	2019	2020	2019	2020[1]	2019[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	64%	49%	0%	39%	36%	12%
OTHER KEY MANAGEMENT PERSONNEL						
P J Dumas	75%	63%	0%	27%	25%	10%
D Scafetta	78%	65%	0%	26%	22%	9%
B C Fullarton	78%	66%	0%	25%	22%	9%

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 dates and times 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.

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 19	Granted	Exercised	Lapsed/ forfeited	Balance at date of report	Vested and 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	23 Nov 2016	3 yrs ended	23 Nov 2031	$0.00	$0.80[1]	FUM Growth	1,065,114	–	–	–	1,065,114	1,065,114	3
		30 Jun 2019				ROCE							4
	29 Nov 2017	3 yrs ended	29 Nov 2032	$0.00	$1.33[1]	FUM Growth	874,347	–	–	–	874,347	–	3
		30 Jun 2020				EPS Growth							5
	21 Nov 2018	3 yrs ended	21 Nov 2033	$0.00	$0.94[1]	FUM Growth	870,288	–	–	–	870,288	–	3
		30 Jun 2021				EPS Growth							5
	20 Nov 2019	3 yrs ended	20 Nov 2034	$0.00	$1.04[1]	FUM Growth	–	897,797	–	–	897,797		3
		30 Jun 2022				EPS Growth							5
OTHER EXECUTIVES													
	21 Dec 2015	3 yrs ended	21 Dec 2030	$0.00	$0.96	FUM Growth	269,103	–	–	–	269,103	269,103	
		30 Jun 2018				ROCE							
	21 Dec 2016	3 yrs ended	21 Dec 2031	$0.00	$0.85	FUM Growth	779,546	–	(198,864)	–	580,682	580,682	3
		30 Jun 2019				ROCE							4
	5 Dec 2017	3 yrs ended	5 Dec 2032	$0.00	$1.30	FUM Growth	639,925	–	–	–	639,925	–	3
		30 Jun 2020				EPS Growth							5
	21 Nov 2018	3 yrs ended	21 Nov 2033	$0.00	$0.94	FUM Growth	636,954	–	–	–	636,954	–	3
		30 Jun 2021				EPS Growth							5
	20 Nov 2019	3 yrs ended	20 Nov 2034	$0.00	$1.04	FUM Growth	–	657,089	–	–	657,089	–	3
		30 Jun 2022				EPS Growth							5
							5,135,277	1,554,886	(198,864)	–	6,491,299	1,914,899	
Total							**6,335,277**	**1,554,886**	**(198,864)**	–	**7,691,299**	**3,114,899**	

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 23 November 2016, 29 November 2017, 21 November 2018 and 20 November 2019, being the dates of Peet Limited's, 2016, 2017, 2018 and 2019 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 relevant 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 $198.1 million for the three-year performance period ended 30 June 2019. Accordingly, the performance condition was fully met and on 27 August 2019 the Directors resolved that 100% of the FY17 PRs thereto vested.

The FY18, FY19 and FY20 PRs remain unvested.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

NOTE 4

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

ROCE is measured as the average of the below formula calculated on an annual basis over the relevant Performance Period:

$$\frac{\text{EBIT}}{\text{Average (Capital Employed)}}$$

Where:
EBIT means the earnings before interest, tax, write-downs of inventories and development costs and increases in the carrying value of inventories for the relevant financial year.

Profits from associates are to be grossed up so as to be an EBIT equivalent.

Capital Employed means the sum of (bank debt, corporate bonds, contributed equity, minority interests and retained earnings and less cash) at the start and end of the relevant financial year.

Peet syndicates which are treated as subsidiaries under accounting standards will be treated as syndicates in the calculation of ROCE.

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 Group achieved ROCE of 14.2% against the target of 13.0% for the three-year performance period ended 30 June 2019. Accordingly, the ROCE performance condition attached to the FY17 PRs was fully met and on 27 August 2019 the Directors resolved that 100% of the FY17 PRs relating thereto vested.

NOTE 5

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"), 1 July 2018 to 30 June 2021 ("FY19 Performance Period") and 1 July 2019 to 30 June 2022 ("FY20 Performance Period"), respectively.

The EPS growth condition will be measured as the average growth in operating EPS over the relevant Performance Period, with the EPS derived for the previous financial year as the base year.

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 carrying value of inventories during the relevant financial year, and is subject to other adjustments at the Board's discretion.

EPS growth is then compared to the Board's internal target EPS growth for the FY18 Performance Period, FY19 Performance Period and the FY20 Performance Period, respectively.

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 growth target	0%
80% of the EPS growth target	50%
80% to 100% of the EPS growth target	Pro-rata between 50% and 80%
100% to 120% of the EPS growth target	Pro-rata between 80% and 100%
Greater than 120% of the EPS growth target	100%

The FY18, FY19 and FY20 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	4,009,749	897,797	–	–	4,907,546	2,265,114
OTHER KEY MANAGEMENT PERSONNEL						
P J Dumas	1,141,435	278,736	–	–	1,420,171	599,785
D Scafetta	524,598	167,625	(198,864)	–	493,359	–
B C Fullarton	659,495	210,728	–	–	870,223	250,000

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

During the year ended 30 June 2020, 1,844,660 PRs (2019: 1,501,151) had vested and 198,864 (2019: 1,232,048) were exercised by KMP at $ Nil exercise price. In order to settle the PRs exercised during year ended 30 June 2020, the Company purchased ordinary shares in the Company on-market on behalf of KMP.

Since 30 June 2020, no PRs were vested. No other options and PRs have been issued. Refer note 25 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:

		2016	2017	2018	2019	2020
Net profit / (loss) after tax (NPAT)	$'000	42,592	44,792	49,112	47,549	(30,056)
NPAT growth	Growth%	10.7%	5.2%	9.6%	(3.2%)	(163.2%)
Net operating profit after tax (NOPAT)	$'000	42,592	44,792	49,112	47,549	15,060
NOPAT growth	Growth%	10.7%	5.2%	9.6%	(3.2%)	(68.3%)
Basic EPS	cents per share	8.70	9.14	10.02	9.79	(6.19)
Basic EPS growth	Growth%	5.3%	5.1%	9.6%	(2.3%)	(163.2%)
Operating EPS	cents per share	8.70	9.14	10.02	9.79	3.10
Operating EPS growth	Growth%	5.3%	5.1%	9.6%	(2.3%)	(68.3%)
Dividends paid/payable	cents per share	4.5	4.75	5.00	5.00	1.50
Share price 30 June	$	0.94	1.20	1.32	1.12	0.97
Share price growth	Growth%	(18.3%)	27.7%	10%	(15.1%)	(13.4%)

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.

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 expense $
DIRECTORS							
A W Lennon	–	–	–	–	–	–	–
T J Allen	–	–	–	–	–	–	–
V Krause	–	–	–	–	–	–	–
R J McKinnon	–	–	–	–	–	–	–
A J Lennon	–	–	–	–	–	–	–
B D Gore	0%	100%	2020	–	–	2022	655,597
			2019	–	–	2021	654,382
			2018	–	–	2020	696,680
			2017	100%	–	2019	–
OTHER KEY MANAGEMENT PERSONNEL							
P J Dumas	0%	100%	2020	–	–	2022	203,541
			2019	–	–	2021	203,163
			2018	–	–	2020	211,572
			2017	100%	–	2019	–
D Scafetta	0%	100%	2020	–	–	2022	227,597
			2019	–	–	2021	183,301
			2018	–	–	2020	127,234
			2017	100%	–	2019	–
B C Fullarton	0%	100%	2020	–	–	2022	153,880
			2019	–	–	2021	153,594
			2018	–	–	2020	159,952
			2017	100%	–	2019	–

1 Includes performance rights for which performance conditions were met for the performance period 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 198,864 PRs over shares in the Company and received shares in the Company during the 2020 financial year. Please refer to previous pages of the Remuneration Report for commentary on vesting conditions met during the performance period ended 30 June 2020.

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

	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	36%	937,300	–
OTHER KEY MANAGEMENT PERSONNEL			
P J Dumas	25%	291,000	–
D Scafetta	22%	175,000	168,836
B C Fullarton	22%	220,000	–

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.

Voting and comments made at the Company's 2019 annual general meeting

The instructions given to validly appointed proxies in respect of the resolution pertaining to the Company's 2019 Remuneration Report were as follows:

For	Against	Proxy's discretion	Abstain
252,420,836	3,846,434	312,026	1,611,622
98.4%	1.50%	0.1%	

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

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

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	4,875	–	4,875
T J Allen	92,054	–	–	92,054	500	–	500
V Krause	–	–	–	–	1,000	–	1,000
R J McKinnon	50,000	–	–	50,000	500	–	500
B D Gore	6,103,817	–	(797,138)	5,306,679	–	–	–
A J Lennon	1,331,344	–	–	1,331,344	500	–	500
OTHER KEY MANAGEMENT PERSONNEL							
P J Dumas	1,087,882	–	–	1,087,882	–	–	–
D Scafetta	1,279,989	198,864	(458,853)	1,020,000	–	–	–
B C Fullarton	603,850	–	–	603,850	–	–	–

Since 30 June 2020, 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 22 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 60.

On 19 February 2019, the Board granted approval under section 324DAA of the *Corporations Act 2001* for Mr Geoff Lotter to continue as lead auditor, to play a significant role in the audit of the company for two additional successive financial years, being the financial year ending 30 June 2020 and 30 June 2021. The approval was granted in accordance with a recommendation from the Audit and Risk Management Committee which was satisfied the approval:

- is consistent with maintaining the quality of the audit provided to the company; and
- would not give rise to a conflict of interest situation (as defined in section 324CD of the *Corporations Act 2001*).

Reasons supporting this decision include:

- the benefits associated with the continued retention of knowledge regarding key audit matters and significant judgements, in light of the changes in residential property markets and bank lending policies;
- the Audit and Risk Management Committee has been satisfied with the quality of Ernst & Young and Mr Lotter's work as auditor; and
- the Audit and Risk Management Committee is satisfied with the introduction of a new engagement quality review partner on the completion of the 30 June 2019 audit.

The company maintains, and will continue to maintain, robust auditor independence policies and controls to ensure the independence of the auditor is maintained. A copy of the Board resolution granting approval was lodged with ASIC in accordance with section 324DAC of the Corporations Act 2001.

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
26 August 2020

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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Auditor's independence declaration to the directors of Peet Limited

As lead auditor for the audit of the financial report of Peet Limited for the financial year ended 30 June 2020, 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 year.

Ernst & Young

Ernst & Young

G Lotter
Partner
26 August 2020

GL:JG:PEET:009

A copy of the Group's corporate governance policies and practices in place during the financial year ended 30 June 2020 is available at the following link:
www.peet.com.au/-/media/peet/documents/corporate/corporate/corporate-governance/2020

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

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 26 August 2020. 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

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Revenue	5	188,282	249,545
Expenses	6	(230,253)	(190,934)
Finance costs (net of capitalised borrowing costs)	6	(7,428)	(8,538)
Share of net profit of associates and joint ventures	10	8,060	13,329
(Loss) / profit before income tax		**(41,339)**	**63,402**
Income tax benefit / (expense)	8	10,648	(16,052)
(Loss) / profit after income tax		**(30,691)**	**47,350**

Attributable to:

Owners of Peet Limited	(30,056)	47,549
Non-controlling interests	(635)	(199)
	(30,691)	**47,350**

Other comprehensive income

Items that may be reclassified to profit or loss:		
Gain / (loss) on cash flow hedges	2,636	(929)
Income tax relating to components of other comprehensive income	(794)	279
Other comprehensive income for the year, net of tax	**1,842**	**(650)**
Total comprehensive income for the year	**(28,849)**	**46,700**

Attributable to:

Owners of Peet Limited	(28,214)	46,899
Non-controlling interests	(635)	(199)
	(28,849)	**46,700**

(Loss) / earnings per share - attributable to the ordinary equity holders of the Company

	Notes	Cents	Cents
Basic and diluted (loss) / earnings per share	7	(6.19)	9.79

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents		46,838	33,606
Receivables	11	36,943	18,999
Contract assets	12	8,536	6,234
Inventories	9	87,087	105,750
Total current assets		**179,404**	**164,589**
Non-current assets			
Receivables	11	69,575	95,970
Contract assets	12	4,336	4,037
Inventories	9	391,372	412,919
Investments accounted for using the equity method	10	232,061	233,668
Property, plant and equipment		4,157	5,237
Right-of-use assets	2	5,188	–
Intangible assets		4,727	5,704
Total non-current assets		**711,416**	**757,535**
Total assets		**890,820**	**922,124**
Current liabilities			
Payables	13	33,054	38,746
Land vendor liabilities	14	6,350	6,350
Borrowings	17	118,275	5,083
Lease liabilities	2,17	1,607	–
Derivative financial instruments	17	–	221
Current tax liabilities		687	8,915
Provisions	15	14,628	21,449
Total current liabilities		**174,601**	**80,764**
Non-current liabilities			
Borrowings	17	163,879	240,103
Lease liabilities	2,17	5,520	–
Derivative financial instruments	17	4,407	5,310
Deferred tax liabilities	8	15,321	24,213
Provisions	15	12,254	11,783
Total non-current liabilities		**201,381**	**281,409**
Total liabilities		**375,982**	**362,173**
Net assets		**514,838**	**559,951**
Equity			
Contributed equity	18	378,916	378,916
Reserves	18	(2,557)	(5,051)
Retained profits		121,750	168,722
Capital and reserves attributable to owners of Peet Limited		**498,109**	**542,587**
Non-controlling interest		16,729	17,364
Total equity		**514,838**	**559,951**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018		**385,955**	**3,397**	**145,539**	**534,891**	**11,220**	**546,111**
Profit for the year		–	–	47,549	47,549	(199)	47,350
Non-reciprocal contribution to a controlled entity		–	(6,343)	–	(6,343)	6,343	–
Other comprehensive income		–	(650)	–	(650)	–	(650)
Total comprehensive income for the year		–	**(6,993)**	**47,549**	**40,556**	**6,144**	**46,700**
Share buyback, including transaction costs		(7,039)	–	–	(7,039)	–	(7,039)
Vesting of performance rights	18	–	(2,085)	–	(2,085)	–	(2,085)
Share-based payments	25	–	630	–	630	–	630
Dividends paid	19	–	–	(24,366)	(24,366)	–	(24,366)
Balance at 30 June 2019		**378,916**	**(5,051)**	**168,722**	**542,587**	**17,364**	**559,951**

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019		**378,916**	**(5,051)**	**168,722**	**542,587**	**17,364**	**559,951**
Loss for the year		–	–	(30,056)	(30,056)	(635)	(30,691)
Other comprehensive income		–	1,842	–	1,842	–	1,842
Total comprehensive income for the year		–	**1,842**	**(30,056)**	**(28,214)**	**(635)**	**(28,849)**
Vesting of performance rights	18	–	(647)	–	(647)	–	(647)
Share-based payments	25	–	1,299	–	1,299	–	1,299
Dividends paid	19	–	–	(16,916)	(16,916)	–	(16,916)
Balance at 30 June 2020		**378,916**	**(2,557)**	**121,750**	**498,109**	**16,729**	**514,838**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		191,596	269,825
Payments to suppliers and employees (inclusive of GST)		(167,002)	(186,511)
Payments for purchase of land held for sale		(11,340)	(58,501)
Interest and other finance costs paid		(21,839)	(21,134)
Distributions and dividends received from associates and joint ventures		7,962	12,280
Interest received		39	592
Income tax paid		(7,266)	(28,605)
Net cash outflow from operating activities	**20**	**(7,850)**	**(12,054)**
Cash flows from investing activities			
Proceeds / (payments) for property, plant and equipment		42	(1,812)
Payments for investment in associates and joint ventures		–	(6,365)
Proceeds from capital returns from associates and joint ventures		1,705	1,479
Loans to associates and joint ventures		(9,180)	(29,690)
Repayment of loans by associates and joint ventures		11,016	9,702
Net cash inflow / (outflow) from investing activities		**3,583**	**(26,686)**
Cash flows from financing activities			
Dividends paid		(16,916)	(24,366)
Repayment of borrowings		(26,275)	(48,500)
Proceeds from borrowings		62,120	1,926
Proceeds from issue of Peet bonds and notes (net of transaction costs)		–	73,576
Payment of principle portion of lease liabilities		(1,430)	–
Share buyback (including transaction costs)		–	(7,039)
Net cash inflow / (outflow) from financing activities		**17,499**	**(4,403)**
Net increase / (decrease) in cash and cash equivalents		13,232	(43,143)
Cash and cash equivalents at the beginning of the year		33,606	76,749
Cash and cash equivalents at the end of the year		**46,838**	**33,606**

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

CONTENTS

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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 financial instruments and certain financial assets 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 2020. 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.

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.

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 accounting policies adopted in the preparation of the financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019, except for changes arising from the adoption of new and amended accounting standards and interpretations effective as at 1 July 2019. The Group has early adopted AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* which has not had a material impact on adoption. Other than that, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 16 *Leases* ("AASB 16"). The nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time on 1 July 2019, but do not have a material impact on the Group.

AASB 16 Leases

AASB 16 and related interpretations replaces AASB 117 *Leases* ("AASB 117") for reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Under AASB 16, lessees are required to recognise a right-of-use asset and the related lease liability at commencement of the lease, with subsequent recognition of depreciation for the right-of-use asset and interest expense in respect of the lease liability. Lease payments on short term leases and low value leases are recognised on a straight-line basis.

The Group adopted AASB 16 as of 1 July 2019 using the modified retrospective approach. Under this approach, the Group has not restated comparative information which continues to be reported under AASB 117. Lease liabilities and right-of-use assets arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(a) The Group's leasing activities and how they are accounted for

The Group leases office spaces across Australia, with lease conditions individually negotiated. Rental periods are fixed for up to ten years with renewal options. Previously, these office leases were classified as operating leases under AASB 117, and the full rental charges were recognised in profit or loss on a straight-line basis over the period of the lease (net of any lease incentive amortisation).

BASIS OF REPORTING (CONTINUED)

On adoption of AASB 16, the Group recognised a lease liability and a right-of-use asset for each contract that had a remaining lease term of more than 12 months on the date of initial application of 1 July 2019. Under the modified retrospective approach, the lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019, which was 6.75%. The associated right-of-use assets were measured at an amount equal to the lease liability adjusted by any residual lease incentive liability balance immediately before the application date, as permitted under the specific transitional provisions in the standard.

Subsequently, the interest on the lease liability is recognised in profit or loss over the remaining lease term. The associated right-of-use assets are depreciated over the remaining lease term on a straight-line basis.

(b) Impact of adopting AASB16

The impact to balance sheet line items as at 1 July 2019 (increase/(decrease)) and 30 June 2020 is shown below:

	1 July 2019 ($'000)	30 June 2020 ($'000)
Assets		
Right-of-use assets (office space)	6,529	5,188
Total Assets	**6,529**	**5,188**
Liabilities		
Payables	(2,028)	-
Lease liability (current)	1,430	1,607
Lease liability (non-current)	7,127	5,520
Total Liabilities	**6,529**	**7,127**

(c) Judgement in determining the lease term

AASB 16 defines lease term to be the non-cancellable lease period of the lease, together with optional extension periods where the lessee is reasonably certain to extend, or optional termination periods if the lessee is reasonably certain not to exercise the option. As the Group's current office leases are from four to six years, the Group is not reasonably certain if the extensions will occur. Therefore, the Group has not included the optional extension periods of all leases in measuring lease liabilities and right-of-use assets.

(d) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- recognising the lease payments associated with short-term leases (leases with a remaining lease term of 12 months or less as at 1 July 2019) and low value leases as an expense on a straight-line basis over the lease term, and
- relying on the assessment made previously under AASB 117 whether a contract is, or contains, a lease for contracts entered into before the transition date without reassessing at the date of the initial application.

f. Impact of the COVID-19 pandemic on the significant accounting judgements, estimates and assumptions.

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the Group. The scale and duration of these developments remain uncertain as at the date of this report. The Group has considered the potential impact of the COVID-19 pandemic in the significant accounting judgements, estimates and assumptions. However, as these are subject to increased uncertainty the actual outcomes may differ from the estimates.

The Group has managed and continues to actively manage the risks arising from COVID-19. This includes a financial response plan incorporating:

- the deferral of the commencement of new projects;
- minimising development expenditure to reflect management forecasts for COVID-19 sales rates pre-Government stimulus;
- a strong focus on managing the settlement risk of contracts on hand; and
- negotiating variations to the Group's senior debt facility which have resulted in a waiver of the measurement of the Group's debt covenants out to 30 June 2021.

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
- 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 - constraints on selling fees and estimates on percentage completion
- Note 8 - deferred tax assets
- Note 9 - net realisable value
- Note 11 - receivables
- Note 21 - fair value estimation

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 17);
- liquidity risk (note 17); and
- interest rate risk (note 17).

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.

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.

Certain property syndicates are consolidated where the Group is considered to have control. These entities however, continue to be managed and reported to the executive management group as part of the funds management business segment. Adjustments are included in "Inter-segment transfers and other unallocated" to reconcile reportable business segment information to the Group's consolidated statement of profit or loss.

4. SEGMENT INFORMATION (CONTINUED)

	Funds management		Company-owned projects		Joint arrangements		Inter-segment transfers and other unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment										
Sales to external parties	22,462	26,132	125,566	179,960	34,287	38,781	2,436	2,948	184,751	247,821
Other revenue	327	242	2,907	1,122	297	18	–	342	3,531	1,724
Share of net profit of associates and JVs	1,940	7,900	–	–	4,834	5,036	1,286	393	8,060	13,329
Total	**24,729**	**34,274**	**128,473**	**181,082**	**39,418**	**43,835**	**3,722**	**3,683**	**196,342**	**262,874**
Corporate overheads							(8,950)	(11,016)	(8,950)	(11,016)
EBITDA (before divestment and related provisions)	**13,013**	**24,432**	**23,518**	**58,496**	**8,825**	**13,702**	**(8,384)**	**(10,644)**	**36,972**	**85,986**
Divestment and related provisions	–	–	(55,827)	–	(2,700)	–	(2,500)	–	(61,027)	–
EBITDA[1]	**13,013**	**24,432**	**(32,309)**	**58,496**	**6,125**	**13,702**	**(10,884)**	**(10,644)**	**(24,055)**	**85,986**
Depreciation and amortisation	(25)	(50)	(400)	(495)	(92)	(68)	(2,853)	(1,722)	(3,370)	(2,335)
Segment result (EBIT[2])	**12,988**	**24,382**	**(32,709)**	**58,001**	**6,033**	**13,634**	**(13,737)**	**(12,366)**	**(27,425)**	**83,651**
Financing costs (includes interest and finance costs expensed through cost of sales)									(13,914)	(20,249)
(Loss) / profit before income tax									**(41,339)**	**63,402**
Income tax expense									10,648	(16,052)
(Loss) / profit after income tax									**(30,691)**	**47,350**
Loss attributable to non-controlling interests									635	199
(Loss) / profit attributable to owners of Peet Limited									**(30,056)**	**47,549**

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

	2020 $'000	2019 $'000
Revenue from contracts with customers		
- sales of land and built form	151,506	214,032
- project management and selling services	33,245	33,789
Other revenue	3,531	1,724
	188,282	**249,545**

Recognition and measurement

The main streams of revenue recognised by the Group relate to the sale of land and built form, and the provision of management and selling services. Revenue from contracts with customers is recognised when or as the Group transfers control of the goods and services to a customer at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for those goods and services. Revenue is recognised when or as each performance obligation is satisfied at the amount of the transaction price allocated to that performance obligation. If the consideration in the contract includes a variable amount, the Group estimates the amount of the consideration to which it is entitled in exchange for transferring the goods and services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal of the amount of the cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, the Group presents the contract as a contract asset, unless the Group's rights to the amount of consideration are unconditional, in which case the Group recognises a receivable.

The Group recognises contract fulfilment costs as an asset only if the costs relate directly to a contract, the costs generate or enhance resources of the Group that will be used to satisfy future performance obligations and the costs are expected to be recovered. If not capitalised, contract fulfilment costs are expensed as incurred.

Sale of land and built form

Revenue from the sale of land and built form is recognised on settlement of the sale. This represents the point when control (title) has passed to the customer.

Project management

Project management represents a single performance obligation that is satisfied over time for the oversight and management of the development. The consideration receivable under the contract allocated to project management is variable and is measured using an expected value approach subject to a constraint. The transaction price is based on the relative standalone selling price. Revenue is recognised using an output method based on development milestones reached. Payment is received on settlement.

Selling services

This service represents a performance obligation to facilitate the sale of an individual lot which is satisfied over the short period of time relating to the procedural steps of finalising the sale of the property to a purchaser. The consideration receivable under the contract allocated to selling services is considered to be variable consideration and is measured on a portfolio basis using an expected value approach subject to a constraint. The transaction price is based on the relative standalone selling price of the service. Payment is received on settlement.

Key estimates

Constraints on selling fees

An analysis of sales fallen over is performed on a monthly basis for all business segments by location. This analysis, on a portfolio basis, is used to determine an appropriate constraint for revenue recognised against selling fees. The potential impact of the COVID-19 pandemic has been considered in the analysis.

Percentage completion

An analysis of development milestones is performed to determine an appropriate percentage of completion for completed lots.

Revenue from related parties included above:

	2020 $'000	2019 $'000
Revenue from related parties[1]		
Associates		
Project management and selling services	19,843	23,630
Syndicate administration services	1,441	1,505
Joint arrangements		
Project management and selling services	3,815	3,738
	25,099	**28,873**

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

6. EXPENSES

	2020 $'000	2019 $'000
(Loss) / profit before income tax includes the following specific expenses:		
Land and development costs	94,707	110,268
Amortised interest and finance expense	6,486	11,711
Total land and development cost	**101,193**	**121,979**
Divestment and related provisions[1]	**61,027**	–
Depreciation[2]		
- Right-of-use assets	1,341	–
- Property, plant and equipment	933	1,233
Amortisation	1,096	1,102
Total depreciation and amortisation	**3,370**	**2,335**
Employee benefits expense[3]	30,865	31,459
Project management, selling and other operating costs	16,551	16,763
Other expenses	17,247	18,398
Total other expenses	**64,663**	**66,620**
Total expenses	**230,253**	**190,934**
Finance costs		
Interest and finance charges		
- Bank borrowings	5,951	10,151
- Lease liabilities	534	–
Hedging losses reclassified to profit or loss	2,424	–
Interest on corporate bonds	16,219	12,609
Amount capitalised	(17,700)	(14,222)
	7,428	**8,538**

1 This amount includes provisions of write-downs to a number of divesting projects (refer to note 9 for the inventory component) and provisions of related costs.
2 Refer to note 27 (b), (c) and (d) for accounting policies.
3 Refer to note 27 (e) for accounting policies.

Related party expenses

	2020 $'000	2019 $'000
KMP remuneration[1]		
Short-term employee benefits	2,769	4,117
Post-employment benefits	154	158
Share-based payments	896	411
	3,819	**4,686**

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 (cost of sales).

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 17).

7. (LOSS) / EARNINGS PER SHARE

	2020	2019
(Loss) / profit attributable to the ordinary equity holders of the Company ($'000)	(30,056)	47,549
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	485,658,321	485,658,321
Basic and diluted (loss) / earnings per share (cents)	(6.19)	9.79

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 25 for the number of Performance Rights (PRs) outstanding at 30 June 2020. These PRs are contingently issuable shares and accordingly not included in diluted earnings per share.

8. TAXES

a. Income tax expense

	2020 $'000	2019 $'000
Major components of tax expense		
Current income tax expense		
Current tax	2,996	18,165
Adjustments for prior periods	(3,958)	3,957
	(962)	**22,122**
Deferred income tax expense		
Deferred tax	(13,717)	(2,188)
Adjustments for prior periods	4,031	(3,882)
	(9,686)	**(6,070)**
	(10,648)	**16,052**

Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(2,313)	(4,627)
Decrease in deferred tax liabilities	(7,373)	(1,443)
	(9,686)	**(6,070)**

Tax reconciliation		
(Loss) / profit before income tax	(41,339)	63,402
Tax at Australian tax rate of 30%	(12,402)	19,021

Tax effect of amounts which are not assessable or deductible:		
Share of net profit of associates	452	(1,035)
Employee benefits	195	(437)
Franking credits	(384)	(2,024)
Deferred tax assets not recognised	1,237	178
Sundry items	254	349
	(10,648)	**16,052**

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

	Inventory $'000	Cash flow hedges $'000	Receivables $'000	Tax losses $'000	Property, plant and equipment (including leases) $'000	Other $'000	Total $'000
At 1 July 2018	**3,547**	**503**	**–**	**2,227**	**1,935**	**4,613**	**12,825**
Effect of adoption of new accounting standards	–	–	2,285	–	–	–	2,285
Balance at 1 July 2018 (restated)	**3,547**	**503**	**2,285**	**2,227**	**1,935**	**4,613**	**15,110**
Credited/(charged):							
- to profit or loss	375	877	7,053	(1,710)	28	(1,996)	4,627
- to other comprehensive income	–	279	–	–	–	–	279
- directly to equity	–	–	–	–	–	(3)	(3)
Total deferred tax assets	**3,922**	**1,659**	**9,338**	**517**	**1,963**	**2,614**	**20,013**
Set off against deferred tax liabilities pursuant to set off provisions							(20,013)
At 30 June 2019							–
At 1 July 2019	**3,922**	**1,659**	**9,338**	**517**	**1,963**	**2,614**	**20,013**
Credited/(charged):							
- to profit or loss	(195)	457	2,732	546	1,085	(2,312)	2,313
- to other comprehensive income	–	(794)	–	–	–	–	(794)
Total deferred tax assets	**3,727**	**1,322**	**12,070**	**1,063**	**3,048**	**302**	**21,532**
Set off against deferred tax liabilities pursuant to set off provisions							(21,532)
At 30 June 2020							–

8. TAXES (CONTINUED)

c. Deferred tax liabilities

Movements	Finance charges $'000	Accrued income $'000	Inventory $'000	Share of joint arrangements $'000	Other $'000	Total $'000
At 1 July 2018	**25,612**	**7,450**	**9,337**	**3,115**	**155**	**45,669**
Charged/(credited):						
- to profit or loss	(3,689)	(4,909)	5,481	1,674	-	(1,443)
Total deferred tax liabilities	**21,923**	**2,541**	**14,818**	**4,789**	**155**	**44,226**
Set off against deferred tax liabilities pursuant to set off provisions						(20,013)
At 30 June 2019						**24,213**
At 1 July 2019	**21,923**	**2,541**	**14,818**	**4,789**	**155**	**44,226**
Charged/(credited):						
- to profit or loss	3,902	1,648	(13,355)	432	-	(7,373)
Total deferred tax liabilities	**25,825**	**4,189**	**1,463**	**5,221**	**155**	**36,853**
Set off against deferred tax liabilities pursuant to set off provisions						(21,532)
At 30 June 2020						**15,321**

OPERATING ASSETS AND LIABILITIES

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

9. INVENTORIES

	2020 $'000	2019 $'000
Cost of acquisition	287,301	291,335
Capitalised development costs	159,250	150,004
Capitalised finance costs	88,375	77,330
Total inventory at cost	**534,926**	**518,669**
Provision for write-downs to net realisable value [1]	(56,467)	–
Total inventory	**478,459**	**518,669**
Current	87,087	105,750
Non-current	391,372	412,919
Total inventory	**478,459**	**518,669**

1 The write-downs are from several non-core projects that are to be divested. The estimated net realisable values used to calculate the write-down provisions are based on the latest valuations and management's assessment of the market for each project.

Recognition and measurement

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

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

Key estimates

Net realisable value

The Group is required to carry inventory at lower of cost and net realisable value. 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. The potential impact of the COVID-19 pandemic has been considered in assessing NRV.

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

	2020 $'000	2019 $'000
Carrying amount at 1 July	**233,668**	**222,820**
Acquisitions/additional investments	-	11,278
Dividends	(7,962)	(12,280)
Capital returns	(1,705)	(1,479)
Share of profit after income tax	8,060	13,329
Carrying amount at 30 June	**232,061**	**233,668**

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

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

	Ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Carrying value of interest in associate or joint venture	Revenue	Net profit/ (loss) after tax	Share of profit/(loss)
As at 30 June 2020	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Associates										
Peet Alkimos Pty Limited, WA	33	7,587	405,389	123,857	34,675	254,444	66,430	9,359	(3,633)	(1,212)
Peet Caboolture Syndicate Limited, QLD	20	3,331	43,344	631	16,820	29,224	5,845	15,432	1,154	231
Peet Werribee Land Syndicate, VIC	17	7,701	32,620	1,879	5,385	33,057	5,672	19,144	3,081	529
Joint Ventures*										
Peet Flagstone City Pty Limited, QLD	50	3,771	177,828	56,862	4,063	120,674	60,337	19,358	907	454
Googong Township Unit Trust, NSW	50	35,638	128,554	2,618	45,000	116,573	58,287	43,533	9,684	4,842
Peet Golden Bay Pty Limited, WA	50	1,014	23,789	687	–	24,116	12,058	6,647	173	86
Peet Mt Barker Pty Limited, SA	50	2,299	23,213	1,572	3,336	20,604	10,302	11,930	360	180
Peet No.1895 Pty Limited, VIC	50	2,166	99,173	2,343	84,080	14,916	7,473	24,627	2,755	1,380
Peet Brabham Pty Ltd, WA	50	7,805	37,546	419	45,840	(908)	(454)	(291)	(440)	(220)
Other associates and JVs							6,111			1,790
Total							**232,061**			**8,060**

	Ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets	Carrying value of interest in associate or joint venture	Revenue	Net profit/ (loss) after tax	Share of profit/(loss)
As at 30 June 2019										
Associates										
Peet Alkimos Pty Limited, WA	33	8,967	399,865	117,575	32,578	258,679	71,534	8,624	(2,421)	(807)
Peet Caboolture Syndicate Limited, QLD	20	16,092	40,516	3,979	28,815	23,814	8,240	17,031	497	99
Peet Werribee Land Syndicate, VIC	17	5,045	35,994	7,705	3,355	29,979	5,144	38,461	4,032	692
Joint Ventures*										
Peet Flagstone City Pty Limited, QLD	50	7,850	168,931	54,149	2,822	119,810	59,905	35,536	5,724	2,862
Googong Township Unit Trust, NSW	50	41,613	118,776	4,999	42,000	113,390	56,695	49,896	10,236	5,118
Peet Golden Bay Pty Limited, WA	50	1,161	30,235	5,433	–	25,963	12,982	7,674	(74)	(37)
Peet Mt Barker Pty Limited, SA	50	3,418	30,725	13,459	436	20,248	10,124	13,659	237	119
Peet No.1895 Pty Limited, VIC	50	3,533	96,262	30,827	55,552	13,416	6,708	59,913	5,393	2,697
Peet Brabham Pty Ltd, WA	50	1,287	33,465	35,230	–	(478)	(239)	(82)	(474)	(237)
Other associates and JVs							2,575			2,823
Total							**233,668**			**13,329**

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

The associates and joint ventures finance their operations through unitholder/shareholder contributions and also through external banking facilities. The Group also provides a loan facility to some of these entities which is disclosed in note 11. For Peet Alkimos Pty Ltd, the Group has agreed to defer payment of project management and selling fees to a future date. 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 2020	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	3,475	53,557	–	–	398
Googong Township Unit Trust	9,589	–	45,000	–	(16)
Peet Golden Bay Pty Limited	1,647	–	–	–	72
Peet Mt Barker Pty Limited	2,191	–	3,000	–	102
Peet No. 1895 Pty Limited	2,014	–	77,867	–	1,181
Peet Brabham Pty Limited	475	–	45,150	–	–
As at 30 June 2019					
Peet Flagstone City Pty Limited	7,058	48,360	–	–	2,496
Googong Township Unit Trust	4,125	–	42,000	–	(60)
Peet Golden Bay Pty Limited	3,198	–	–	–	(38)
Peet Mt Barker Pty Limited	2,841	7,000	–	–	735
Peet No. 1895 Pty Limited	3,205	–	77,724	–	4,028
Peet Brabham Pty Limited	20	–	35,103	–	–

1 Excluding trade and other payables and provisions

11. RECEIVABLES

	2020 $'000	2019 $'000
Current		
Trade receivables at amortised cost [1]	8,224	8,444
Other receivables at amortised cost [1]	1,182	4,210
Loans to associates and joint ventures [2]		
- Amortised cost	7,774	–
- ECL allowance	(73)	–
· At amortised cost (net of ECL allowance)	7,701	–
· At fair value [2]	19,836	6,345
	36,943	**18,999**
Non-current		
Loans to associates and joint ventures [2]		
- Amortised cost	26,848	38,553
- ECL allowance	(2,692)	(2,766)
· At amortised cost (net of ECL allowance)	24,156	35,787
· At fair value	40,060	55,184
Other receivables	5,359	4,999
	69,575	**95,970**
Total receivables	**106,518**	**114,969**

1 Trade and other receivables are non-interest bearing and generally have 30-60 day terms. There were no past due or impaired trade receivables at the end of the year (2019: $Nil).
2 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%.

Refer note 27(a) for accounting policy on financial assets and note 21 for fair value disclosures.

Key estimates

ECL allowance

ECL allowance is determined on a probability of default on a loan by loan basis.

Related party balances with associates and joint ventures included above:

	2020 $'000	2019 $'000
Current		
Trade receivables	2,048	2,927
Loans to associates and joint ventures		
- Amortised cost (net of ECL allowance)	7,701	–
- Fair value	19,836	6,345
Non-current		
Loans to associates and joint ventures		
- Amortised cost (net of ECL allowance)	24,156	35,787
- Fair value	40,060	55,184
Other receivables	5,359	4,999
Total	**99,160**	**105,242**
Movements in loans to associates and joint ventures:		
Carrying amount at 1 July	**97,316**	**86,996**
Loans advanced	9,180	29,690
Loan repayments	(11,016)	(9,702)
AASB 9 remeasurement	–	(7,618)
Other	(3,727)	(2,050)
Carrying amount at 30 June	**91,753**	**97,316**

12. CONTRACT ASSETS

	2020 $'000	2019 $'000
Current		
Accrued income[1]	8,536	6,234
Non-current		
Deferred management fees[2]	4,336	4,037
Total contract assets	**12,872**	**10,271**

1 These amounts represent project management and performance fees from associates and other managed entities. They are recognised for the earned consideration that is conditional under AASB 15. Refer note 5 for revenue related accounting policies.
2 The deferred management fees are receivable from residents in the Lattitude Lakelands retirement village, who entered into an agreement to pay the fee upon their departure. The fee is based on 3% of the resale price of the unit for each year of occupation (up to 24%).

13. PAYABLES

	2020 $'000	2019 $'000
Current		
Trade payables and accruals	27,034	27,532
Advance from joint operators	6,020	11,214
	33,054	**38,746**

13. PAYABLES (CONTINUED)

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 advance from joint operators until settlement.

Refer note 21 for fair value disclosures.

14. LAND VENDOR LIABILITIES

	2020 $'000	2019 $'000
Current		
Instalments for purchase of development property	6,350	6,350
Total land vendor liabilities	6,350	6,350

This liability was deferred and paid in July 2020.

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 initially measured at fair value and subsequently carried at amortised cost. 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 21 for fair value disclosures.

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

	2020 $'000	2019 $'000
0 – 1 years	6,350	6,350
Total contractual cash flows	6,350	6,350
Carrying amount of liabilities	6,350	6,350

15. PROVISIONS

	2020 $'000	2019 $'000
Current		
Rebates	2,524	2,812
Employee entitlements	3,183	3,235
Provision for development costs to complete	8,921	15,402
	14,628	**21,449**
Non-current		
Employee entitlements	216	216
Provision for development costs to complete	12,038	11,567
	12,254	**11,783**
Total provisions	26,882	33,232

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

	2020 $'000	2019 $'000
Carrying amount at 1 July	2,812	2,778
Charged/(credited) to the statement of profit or loss:		
- Additional provision recognised	716	1,238
- Paid during year	(1,004)	(1,204)
Carrying amount at 30 June	2,524	2,812

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 for rebates at settlement and is measured at the amount of consideration receivable under the sales contract for which the Group does not expect to be entitled. The provision is updated at the end of each reporting period for changes in circumstances.

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.

Development costs to complete

Provisions for development costs not yet incurred for lots settled are recognised at each reporting date based on the estimated costs to complete.

16. INTERESTS IN JOINT OPERATIONS

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

Group's share of:

As at 30 June 2020	Total assets $'000	Total liabilities $'000	Revenue $'000	Expenses $'000
The Village at Wellard, WA	12,532	3,128	7,708	5,756
Lightsview Joint Venture, SA	9,134	5,181	6,567	5,674
The Heights Durack, NT	9,882	6,482	2,270	1,827
Redbank Plains Joint Venture, QLD	25,023	6,180	7,952	6,455
As at 30 June 2019				
The Village at Wellard, WA	14,341	2,441	10,612	7,177
Lightsview Joint Venture, SA	13,305	9,244	9,244	7,078
The Heights Durack, NT	9,879	6,819	2,286	2,088
Redbank Plains Joint Venture, QLD	25,936	6,578	7,494	5,916

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 2020. At 30 June 2020, the bank covenant gearing ratio was 29.7% (2019: 25.8%).

17. BORROWINGS, LEASE LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Net debt

	2020 $'000	2019 $'000
Borrowings – Current	118,275	5,083
Borrowings – Non-current	163,879	240,103
Total borrowings*	**282,154**	**245,186**
Cash and cash equivalents	(46,838)	(33,606)
Net debt	**235,316**	**211,580**

* Excludes vendor financing. Refer note 14 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 21 for fair value disclosures.

Debt facilities

The following provides details of the loans and borrowings utilised as at 30 June 2020:

	Facility amount $'000	Utilised amount[1] $'000	Effective interest rate %
Bank loans – note a	181,450	59,341	5.9%

	Face value $'000	Carrying amount[2] $'000	Effective interest rate %
Peet bonds and notes – note b			
Series 1, Tranche 1	100,000	99,500	8.06
Series 2, Tranche 1	50,000	49,517	5.95
Peet notes	75,000	73,796	7.21
	225,000	**222,813**	

1 Excludes bank guarantees. Refer note 23 for bank guarantees information.
2 Net of transaction and finance costs.

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 $655 million (2019: $687 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 or waived during the reporting period and as at 30 June 2020.

The Group's main bank facility of $150 million was extended to 1 October 2022. 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:

	2020 $'000	2019 $'000
0 – 1 years	21,583	1,115
1 – 2 years	8,150	23,656
2 – 5 years	35,577	–
Total contractual cash flows	**65,310**	**24,771**
Carrying amount of liabilities	**59,341**	**23,187**

b. Peet bonds and notes

Peet bonds Series 1, Tranche 1

On 7 June 2016, Peet issued 1,000,000 Peet bonds with a face value of $100 per bond with a maturity date of 7 June 2021. These bonds are unsecured and interest-bearing at a fixed rate of interest of 7.5%.

Peet has commenced the process to refinance the Series 1, Tranche 1 bonds and is considering a number of alternatives. The directors are confident that refinancing will be achieved.

Peet bonds 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.

Peet Notes

On 4 April 2019, Peet issued 75,000 notes to eligible professional and sophisticated investors at a face value of $1,000 per bond with a maturity date of 7 June 2024.These bonds are unsecured and carry a fixed interest rate of 6.75%.

The bonds and notes are presented in the balance sheet as follows:

	2020 $'000	2019 $'000
Face value of bonds and notes issued	225,000	225,000
Transaction costs	(4,669)	(4,669)
	220,331	**220,331**
Cumulative interest expense	48,519	32,164
Cumulative coupon payable	(46,037)	(30,496)
	2,482	**1,668**
Total bonds and notes liability	**222,813**	**221,999**

The bonds and notes are repayable as follows:

	2020 $'000	2019 $'000
0 – 1 years	115,019	15,751
1 – 2 years	7,807	115,475
2 – 5 years	135,549	143,921
Total contractual cash flows	**258,375**	**275,147**
Carrying amount of liabilities	**222,813**	**221,999**

c. Lease liabilities

	2020 $'000	2019 $'000
Current		
Office space leases	1,607	–
Non-current		
Office space leases	5,520	–
Total lease liabilities	**7,127**	–

During the year, total cash outflow for these leases is $2.0 million.

The below table analyses the maturity of the Group's lease liabilities based on the remaining period at reporting date to the contractual maturity date:

	2020 $'000	2019 $'000
0 – 1 years	2,039	–
1 – 2 years	2,115	–
2 – 5 years	3,898	–
> 5 years	101	–
Total contractual cash flows	**8,153**	–
Carrying amount of liabilities	**7,127**	–

17. BORROWINGS, LEASE LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

d. Derivative financial instruments

	2020 $'000	2019 $'000
Current		
Interest rate swap contracts	–	221
Non-current		
Interest rate swap contracts	4,407	5,310
Total derivative financial instruments	4,407	5,531

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

	2020 $'000	2019 $'000
0 – 1 years	–	221
1 – 2 years	4,407	–
2 – 5 years	–	5,310
Total contractual cash flows	4,407	5,531
Carrying amount of liabilities	4,407	5,531

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 how it will assess hedge effectiveness (including the analysis of sources of hedge ineffectiveness). Hedge accounting is only applied where there is an economic relationship between the hedged item and hedging instrument.

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.

The Group's policy is 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. In FY20, the Group has determined the interest rate swap contracts no longer meet the Group's risk management objective. As a result, the Group has discontinued hedge accounting.

During the year, the fixed interest rate on the interest rate swap contracts was 3.11% (2019: 3.11%). The variable base rates are between 0.09% and 1.22% (2019: 1.42% and 2.01%).

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:

	2020 $'000	2019 $'000
0 – 1 years	–	25,000
1 – 2 years	100,000	–
2 – 5 years	–	100,000
	100,000	125,000

The full fair value of interest rate swap is classified as a non-current asset or liability when the remaining maturity 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 (refer to note 17 for analysis of maturities on borrowing facilities).

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. An expected credit loss provision of $2.8 million (2019: $2.8 million) has been recognised for loans measured at amortised cost of $34.6 million (2019: $38.5 million) (refer to note 11 and 27).

Interest rate risk

The Group's main interest rate risk arises from cash, loans to associates and joint ventures measured at fair value and long-term borrowings.

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

The Group manages its interest rate risk by both variable and fixed rate debt instruments.

The Group's fixed rate borrowings and certain loans to associates and joint ventures are carried at amortised cost. They are therefore not subject to interest rate risk.

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 2020, the Group had the following mix of financial assets and liabilities exposed to variable interest rates:

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents (floating)	46,838	33,606
Loans to associates and joint ventures measured at fair value	59,896	55,184
Financial liabilities		
Borrowings (floating, unhedged)	(24,341)	(23,187)
Interest rate swap	(4,407)	(5,531)

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)	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
- 50 basis points	(282)	(221)	(282)	(221)
+50 basis points	282	221	282	221

18. CONTRIBUTED EQUITY AND RESERVES

a. Movements in ordinary share capital

Date	Details	Number of shares	$'000
30 June 2018	Closing balance	489,980,559	385,955
	Share buyback, including transaction costs	(6,680,070)	(7,039)
30 June 2019	Closing balance	483,300,489	378,916
	Movement for the year	–	–
30 June 2020	Closing balance	483,300,489	378,916

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.

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 2018	**(1,192)**	**13,693**	**(9,104)**	**3,397**
Cash flow hedges (gross)	(929)	–	–	**(929)**
Deferred tax	279	–	–	**279**
Share based payment	–	630	–	**630**
Buyback on vesting of performance rights[4]	–	(2,085)	–	**(2,085)**
Transactions with non–controlling interests	–	–	(6,343)	**(6,343)**
At 30 June 2019	**(1,842)**	**12,238**	**(15,447)**	**(5,051)**
At 1 July 2019	**(1,842)**	**12,238**	**(15,447)**	**(5,051)**
Cash flow hedges (gross)	2,636	–	–	**2,636**
Deferred tax	(794)	–	–	**(794)**
Share based payment	–	1,299	–	**1,299**
Buyback on vesting of performance rights[5]	–	(647)	–	**(647)**
At 30 June 2020	**–**	**12,890**	**(15,447)**	**(2,557)**

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 August/September 2018, the Company purchased 1,711,425 shares to settle the vesting of FY16 Performance Rights.
5 In September 2019, the Company purchased 572,160 shares to settle the vesting of FY17 Performance Rights.

19. DIVIDENDS

	2020 $'000	2019 $'000
Declared and paid during the period		
Prior year fully franked dividend 3.00 cents, paid on 7 October 2019 (2019: 3.00 cents)	14,499	14,699
Fully franked interim dividend for 2020: 0.5 cents (2019: 2.00 cents)	2,417	9,667
	16,916	**24,366**

	2020 $'000	2019 $'000
Dividend not recognised at year end		
Final dividend 1.0 cents per share to be paid on 19 November 2020 (2019: 3.00 cents per share)	4,833	14,499

	2020 $'000	2019 $'000
Franking credit balance		
Franking account balance as at the end of the financial year at 30% (2019: 30%)	57,718	55,017
Franking credits that will arise from the payment of income tax	687	8,915
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	(2,071)	(6,214)
	56,334	**57,718**

20. RECONCILIATION OF (LOSS) / PROFIT AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2020 $'000	2019 $'000
(Loss) / profit after income tax	(30,691)	47,350
Add/(deduct) non cash items:		
Depreciation	2,274	1,233
Amortisation of intangible assets	1,096	1,102
Employee share-based payments	652	(1,455)
Equity accounting for investments in associates and joint ventures	(8,060)	(13,329)
Interest received	1,820	902
Peet bonds and notes effective interest rate adjustment	814	675
Add other items:		
Distributions and dividends from associates and joint ventures	7,962	12,280
Change in operating assets and liabilities during the financial year		
Decrease in receivables	4,014	5,537
Decrease / (Increase) in inventories	40,210	(22,900)
Decrease in tax liabilities	(8,228)	(6,483)
Decrease in payables	(3,677)	(23,131)
Decrease in provisions	(6,350)	(7,768)
Decrease in deferred tax liabilities	(9,686)	(6,067)
Net cash outflow from operating activities	**(7,850)**	**(12,054)**

21. 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

Certain loans to associates and joint ventures carried at fair value through profit or loss. The fair values of these financial assets have been estimated using discounted cashflows with significant unobservable inputs at each reporting date (level 3 of the fair value hierarchy).

At 30 June 2020, the carrying amount and fair value of these loans to associates and joint ventures is $70.1 million and $59.9 million, respectively.

The Group measures its derivative financial liabilities at fair value at each reporting date. These derivatives are measured using significant observable inputs (level 2 of the fair value hierarchy). The fair value at 30 June 2020 is $4.4 million (30 June 2019: $5.5 million).

There have been no transfers between levels during the period.

Other financial instruments – fair value disclosures

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

The quoted market value (on ASX) as at 30 June 2020 of a Peet bond Series 1, Tranche 1 is $100.5 per bond and of a Peet bond Series 2, Tranche 1 is $94.1 per bond (Level 1).

The fair value of Peet Notes as at 30 June 2020 is $975.0 per note. These notes are measured using significant observable inputs (level 3 of the fair value hierarchy).

At 30 June 2020, the carrying value of Peet bonds and notes is $222.8 million (fair value $220.7 million).

Key estimates

Fair value estimation

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. Fair value of the Peet bonds is based on price quotations at the reporting date.

The fair value of financial instruments that are not traded in an active market 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.

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.

The potential impact of the COVID-19 pandemic has been considered in the assessment of fair values.

OTHER NOTES

22. REMUNERATION OF AUDITORS

	2020 $	2019 $
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	301,900	286,200
Fees for assurance services that are required by legislation to be provided by the auditor		
- Compliance Plan & AFSL audits	12,000	11,500
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements	54,750	81,000
Fees for other services		
- Tax compliance	184,585	152,122
- Tax advice	99,650	48,200
Total Fees to Ernst & Young (Australia)	**652,885**	**579,022**

23. 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:

	2020 $'000	2019 $'000
Bank guarantees outstanding	21,684	21,128
Insurance bonds outstanding	13,604	20,526
	35,288	**41,654**

All contingent liabilities are expected to mature within 1 year.

At 30 June 2020, the Group had commitments of $29.4 million (2019: $34.0 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.

24. 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:

	2020 $'000	2019 $'000
Balance sheet		
Current assets	69,254	70,457
Total assets	638,152	584,023
Current liabilities	13,600	16,618
Total liabilities	160,178	159,192
Shareholders' equity		
Issued capital	378,917	378,917
Reserves		
Share-based payments reserve	12,890	12,239
Retained profits	86,167	33,675
Total equity	**477,974**	**424,831**
Profit / (loss) for the year	69,407	(14,083)
Total comprehensive income	**69,407**	**(14,083)**

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:

	2020 $'000	2019 $'000
Bank guarantees outstanding	**586**	**586**

24. PARENT ENTITY FINANCIAL INFORMATION AND SUBSIDIARIES (CONTINUED)

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	
	2020	2019
Name of Subsidiary	%	%
CIC Australia Pty Limited [1]	100	100
Peet Craigieburn Pty Limited [2]	100	100
Peet Greenvale No. 2 Pty Limited [2]	100	100
Peet Cranbourne (51A Craig Rd) Pty Limited [2]	100	100
Peet No. 88 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. 108 Pty Limited [2]	100	100
Peet No. 112 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 Estates (WA) Pty Limited [2]	100	100
Peet Estates (SA) Pty Limited [1]	100	100
Peet Funds Management Limited [2]	100	100
Peet R B Plains 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
Lightsview Apartments Pty Limited [1]	100	100
Peet Tonsley Pty Limited [2]	100	100
JTP Homes Pty Limited [2]	100	100
Peet Tonsley Apartments Pty Limited [2]	100	100
Peet Yanchep Land Syndicate[2]	66.4	66.4

1 Incorporated in ACT.
2 Incorporated in WA.

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	
	2020	2019
	$'000	$'000
Current assets	3,861	5,941
Non-current assets	80,049	78,628
Current liabilities	20,310	1,645
Non-current liabilities	12,241	29,671
Non-controlling interest	17,258	17,893
Revenue	2,819	3,228
Loss after tax	(1,889)	(624)
Loss attributable to non-controlling interest	635	199

Summarised cash flow information:

	Peet Yanchep Land Syndicate	
	2020	2019
	$'000	$'000
Operating	(998)	(2,232)
Financing	871	1,926
Net outflow	**(127)**	**(306)**

Peet has not provided loans to other partly-owned subsidiaries. The Group has no further contractual obligations to provide ongoing financial support.

24. 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.

	2020 $'000	2019 $'000
Consolidated statement of profit or loss		
Revenue	183,785	246,630
Expenses	(224,921)	(187,489)
Finance costs	(7,428)	(8,492)
Share of net profit of associates accounted for using the equity method	6,774	12,936
(Loss) / profit before income tax	**(41,790)**	**63,585**
Income tax expense	11,667	(16,062)
(Loss) / profit for the year	**(30,123)**	**47,523**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in the fair value of cash flow hedges	2,636	(929)
Income tax relating to components of other comprehensive income	(794)	279
Other comprehensive income for the year, net of tax	**1,842**	**(650)**
Total comprehensive loss for the year	**(28,280)**	**46,873**
Summary of movement in consolidated retained profits		
Retained profits at the beginning of the financial year	168,114	152,575
(Loss) / profit for the year	(30,123)	47,523
Dividends paid	(16,916)	(24,366)
AASB9 measurement	-	(7,618)
Retained profits at the end of the financial year	**121,075**	**168,114**

Consolidated balance sheet

Set out below is a consolidated balance sheet at 30 June 2020 of the closed group consisting of Peet Limited and certain wholly owned subsidiaries.

	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	46,719	33,330
Receivables	23,335	26,390
Inventories	87,087	99,890
Total current assets	**157,141**	**159,610**
Non-current assets		
Receivables	101,649	135,773
Inventories	302,472	319,684
Investments accounted for using the equity method	266,175	266,031
Right-of-use assets	5,188	–
Property, plant and equipment	4,151	5,227
Intangible assets	4,725	5,700
Total non-current assets	**684,360**	**732,415**
Total assets	**841,501**	**892,025**
Current liabilities		
Payables	40,896	53,752
Land vendor liabilities	6,350	6,350
Borrowings	105,066	5,083
Lease liabilities	1,607	–
Current tax liabilities	687	8,981
Provisions	5,550	5,873
Total current liabilities	**160,156**	**80,039**
Non-current liabilities		
Borrowings	158,313	221,999
Lease liabilities	5,520	–
Derivative financial instruments	4,407	5,531
Deferred tax liabilities	15,321	27,425
Provisions	216	216
Total non-current liabilities	**183,777**	**255,171**
Total liabilities	**343,933**	**335,210**
Net assets	**497,568**	**556,815**
Equity		
Contributed equity	378,916	378,916
Reserves	(2,423)	9,785
Retained profits	121,075	168,114
Total equity	**497,568**	**556,815**

25. 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.

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	Risk free interest rate	Assessed fair value
20 Nov 19	$0.00	20 Nov 34	$1.17	0.84%	$1.044

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 $1,298,700 (2019: $628,877).

25. SHARE-BASED PAYMENTS (CONTINUED)

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 2020									
Options									
30 Nov 07	N/A	$4.10	$1.12	1,200,000	–	–	–	1,200,000	1,200,000
Performance rights									
21 Dec 15	21 Dec 30	–	$0.957	269,103	–	–	–	269,103	269,103
23 Nov 16	23 Nov 31	–	$0.801	1,065,114	–	–	–	1,065,114	1,065,114
21 Dec 16	21 Dec 31	–	$0.849	1,380,552	–	(572,160)	–	808,392	808,392
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	–
21 Nov 18	21 Nov 33	–	$0.940	2,097,201	–	–	–	2,097,201	–
20 Nov 19	20 Nov 34	–	$1.044	–	2,333,607	–	–	2,333,607	–
				6,918,952	**2,333,607**	**(572,160)**	–	**8,680,399**	**2,142,609**
				8,118,952	**2,333,607**	**(572,160)**	–	**9,880,399**	**3,342,609**
30 June 2019									
Options									
30 Nov 07	N/A	$4.10	$1.12	1,200,000	–	–	–	1,200,000	1,200,000
Performance rights									
21 Nov 15	21 Nov 30	–	$0.974	928,020	–	(866,771)	(61,249)	–	–
21 Dec 15	21 Dec 30	–	$0.957	1,192,460	–	(844,655)	(78,702)	269,103	269,103
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	–
21 Nov 18	21 Nov 33	–	$0.940	–	2,097,201	–	–	2,097,201	–
				6,673,128	**2,097,201**	**(1,711,426)**	**(139,951)**	**6,918,952**	**269,103**
Total				**7,873,128**	**2,097,201**	**(1,711,426)**	**(139,951)**	**8,118,952**	**1,469,103**

26. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors have declared a final fully franked dividend of 1.0 cents per share in respect to the year ended 30 June 2020. The dividend is to be paid on Thursday, 19 November 2020, with a record date of Monday, 26 October 2020. 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.

27. OTHER ACCOUNTING POLICIES

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to section 2.e(a) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loans to associates and JVs included under Receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes loans to associates and joint ventures and derivative instruments.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The potential impact of the COVID-19 pandemic has been considered in the assessment of ECLs.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Leases

The Group's new accounting policy for leases arising on adoption of AASB 16 and applied from 1 July 2019 is detailed below:

For leases with a lease term greater than 12 months that are not considered low value leases (see below), right-of-use assets and associated lease liabilities are recognised at the commencement of the lease.

Right-of-use assets are measured at cost initially and then depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are subject to impairment.

The lease liability is initially measured at net present value of future lease payments using the Group's incremental borrowing rate. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The lease payments are allocated between repayment of lease liability and interest expense (charged to profit or loss over the lease period). In addition, the carrying amount of lease liabilities is remeasured if there is a modification or a change in the lease term.

For short-term leases and leases of low-value assets, lease payments are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 month or less. Low-value assets are generally small items of office equipment.

c. Intangible assets

Intangible assets primarily consist of software and are shown at historical costs less depreciation.

Depreciation on intangible assets is calculated using the straight-line method over their estimated useful lives as below.

- Software – 5 years

27. OTHER ACCOUNTING POLICIES (CONTINUED)

d. 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

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.

e. 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.

f. 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.

g. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs are expensed.

h. 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 separate 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.

i. New accounting standards and interpretations issued but not yet effective

There are no new and amended accounting 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.

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In the Directors' opinion:

a. the financial statements and notes set out on pages 64 – 100 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 2020 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 24 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 24.

Note 2 discloses that the financial statements and notes also comply with International Financial Reporting Standards.

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
26 August 2020

Ernst & Young
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Perth WA 6000 Australia
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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 2020, 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 2020 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 (including Independence Standards)* (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.

GL:JG:PEET:008

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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 and is valued at the lower of cost and net realisable value. As at 30 June 2020, total inventories amounted to $478,459,000. Following a strategic review, management identified several projects to be divested in an orderly manner over the next few years. As a result, the Group has recognised a provision for write downs to net realisable value of $56,467,000. The recoverability of inventory is considered a key audit matter as the determination of net realisable value is affected by subjective elements within the development models over the expected life of each development, or the estimated sales value. 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 of the financial report.	Our audit procedures included the following: ► We assessed the effectiveness of controls over the Group's review process related to project monitoring, including the preparation and review of feasibility reports and updates at the related executive and board level. We also assessed controls over the process for the approval to commence or amend significant projects. ► We evaluated available independent property valuations and a selection of internal projections prepared by the Group that we have identified as higher risk. ► We examined the qualifications, competence and objectivity of the independent valuation experts. ► We evaluated all projects we considered significant, to understand project costs to date and estimated costs to complete, the progress of the development, and contingency estimates for remaining development risks. ► We evaluated, with the assistance of our Real Estate Advisory specialist, all projects identified for divestment, to understand the estimated sales value. ► We assessed the development models prepared by the Group for a sample of developments currently in progress. This included an evaluation of the assumptions adopted by comparing project costs and sales to the most recent historical or comparable sales and costs, and agreed relevant data to the current development application submissions and/or approvals. ► We tested the mathematical accuracy of the development models. ► 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 development costs expensed during the year

Why significant	How our audit addressed the key audit matter
The Group has expensed as cost of sales, land and development costs of $101,193,000 related to sold lots. Development costs includes estimates of infrastructure costs which are incurred over the life of the development. The allocation and measurement of land and development costs was considered a key audit matter as it involves significant judgement and 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 of the financial report.	Our audit procedures included the following: ► We evaluated the basis of estimation and allocation of total development costs and the allocation of costs to complete to lots sold. ► We assessed the effectiveness of controls over the review and approval of cost calculations. ► We selected a sample of cost calculations to assess whether they were mathematically accurate and 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 is this projected 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.

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3. Investments in associates and joint ventures

Why significant	How our audit addressed the key audit matter
The Group has interests in associates and joint ventures, involved in property investment or development which are accounted for using the equity method amounting to $232,061,000, and loans to associates and joint ventures of $91,753,000. Interests in associates and joint ventures comprise: (a) The Group's equity accounted investment in a number of associates and joint venture arrangements ; and (b) Loan facilities provided by the Group to certain associates and joint ventures. These unsecured loans are either recognised at amortised cost using the effective interest rate method, less an allowance for expected credit loss or, where appropriate, at fair value through the profit and loss. This was 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 carrying value is subject to significant judgment as to the performance of the underlying developments. Significant changes in assumptions impacting project cash flows may give rise to impairment. ▸ The measurement of loans at fair value through the profit and loss is subject to significant judgment with respect to the appropriate interest rate applicable to each loan. Disclosure of investments accounted for using the equity method, including significant judgments is included in Notes 2, 10 and 11 of the financial report.	Our audit procedures included the following: ▸ For new arrangements 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 considered whether there had been any 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 have also assessed the recoverability of inventories at the associate and joint venture level. ▸ We considered the Group's assessment of the recoverability of the loans to associates and joint ventures, carried at amortised cost, including the inputs used in the impairment models. ▸ With the assistance of our Capital & Debt Advisory specialist, we assessed the interest rates used to value loans to associates and joint ventures measured at fair value through the profit and loss against prevailing market rates and external borrowings for similar debt. 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 2020 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 Company 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.

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:

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- 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 Company'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, actions taken to eliminate threats or safeguards applied.

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 42 to 57 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Peet Limited for the year ended 30 June 2020, 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
26 August 2020

Distribution of ordinary shares and Peet Bonds

As at 17 September 2020 there were 2,167 current holders of ordinary shares, 1,382 current holders of Series 1, Tranche 1 Peet Bonds ("PPCHA Bonds") and 537 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. of PPCHA Bondholders	% of Issued PPCHA Bonds	No. of PPCHB Bondholders	% of Issued PPCHB Bonds
1 – 1,000	507	0.03	1,278	37.04	473	31.76
1,001 – 5,000	627	0.40	91	18.74	54	23.05
5,001 – 10,000	342	0.55	6	4.27	6	8.67
10,001 – 100,000	621	3.59	6	17.55	3	7.76
100,001 and over	70	95.43	1	22.40	1	28.76
	2,167	100.00	1,382	100.00	537	100.00

There were 361 shareholdings of less than a marketable parcel of $500 (443 shares).

There were 2 holdings 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 (six PPCHB Bonds).

Securityholders

The names of the 20 largest holders of ordinary shares as at 17 September 2020 are listed below:

Name	Number of Shares Held	% of Shares
Scorpio Nominees Pty Ltd <Gwenton A/C>	86,582,433	17.91
Citicorp Nominees Pty Limited	64,856,897	13.42
J P Morgan Nominees Australia Pty Limited	53,680,147	11.11
HSBC Custody Nominees (Australia) Limited	47,353,201	9.80
National Nominees Limited	31,367,572	6.49
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	26,542,152	5.49
HSBC Custody Nominees (Australia) Limited - A/C 2	23,419,317	4.85
360 Capital FM Limited <360 Capital Active REIT A/C>	19,248,105	3.98
Argo Investments Limited	18,152,705	3.76
Mr Warwick Donald Hemsley	17,459,881	3.61
Ian Murray Charles Palmer & Helen Christina Palmer	12,707,352	2.63
Golden Years Holdings Pty Ltd <Peet Super Fund A/C>	8,656,230	1.79
BNP Paribas Noms Pty Ltd <DRP>	5,331,530	1.10
Mr Brendan David Gore <Gore Family A/C>	5,303,817	1.10
Zero Nominees Pty Ltd	5,000,000	1.03
Netwealth Investments Limited <WRAP Services A/C>	4,733,250	0.98
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	4,450,095	0.92
360 Capital FM Limited <Total Return Active Fund A/C>	3,360,953	0.70
360 Capital FM Limited <Total Return Passive A/C>	3,138,808	0.65
Mr Julian Charles Peet	1,528,344	0.32
Total for 20 largest shareholders	442,872,789	91.64
Total other shareholders	40,427,700	8.36
Total ordinary shares on issues	483,300,489	100.00

SECURITYHOLDER INFORMATION (CONTINUED)

The names of the 20 largest holders of PPCHA Bonds as at 17 September 2020 are listed below:

Name	Number of PPCHA Bonds Held	% of PPCHA Bonds
HSBC Custody Nominees (Australia) Limited	223,971	22.40
J P Morgan Nominees Australia Pty Limited	52,084	5.21
Australian Executor Trustees Limited <No 1 Account>	43,200	4.32
Grizzly Holdings Pty Ltd	26,400	2.64
Jove Pty Ltd	22,612	2.26
Finot Pty Ltd	20,000	2.00
Jamplat Pty Ltd	11,230	1.12
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
Hibou Holdings Pty Ltd <Hibou Holdings A/C>	6,886	0.69
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	6,264	0.63
Majana Pty Ltd <Majana Super Fund A/C>	5,500	0.55
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
Super RAB Pty Ltd <R A Black Pers S/F RAB A/C>	5,000	0.50
Pulo Rd Pty Ltd <Pulo Rd Super Fund A/C>	4,680	0.47
Investment Management Co Pty Ltd <Vantage Investment Fund AC>	4,107	0.41
Mrs Robin Lynn Beech	4,000	0.40
Mr Ah Khing Teo & Mrs Kit Har Ng	3,766	0.38
Total for 20 largest PPCHA Bondholders	473,700	47.37
Total other PPCHA Bondholders	526,300	52.63
Total PPCHA Bonds on issue	1,000,000	100.00

SECURITYHOLDER INFORMATION (CONTINUED)

The names of the 22 largest holders of PPCHB Bonds as at 17 September 2020 are listed below:

Name	Number of PPCHB Bonds Held	% of PPCHB Bonds
HSBC Custody Nominees (Australia) Limited	143,815	28.76
J P Morgan Nominees Australia Pty Limited	14,224	2.84
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
HSBC Custody Nominees (Australia) Limited	7,900	1.58
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	7,409	1.48
Mr Joseph Compagnone & Mrs Cheryl Robyn Compagnone <J Compagnone & Co SFJ A/C>	7,050	1.41
BT Portfolio Services Limited <The Stone Super Fund A/C>	7,000	1.40
Roni H Pty Ltd	6,000	1.20
Invia Custodian Pty Limited <SRP Green Pty Ltd A/C>	4,690	0.94
Mr Joseph Compagnone & Mrs Cheryl Robyn Compagnone <J Compagnone & Co SFC A/C>	4,262	0.85
Hamilton Industries (Victoria) Pty Limited	4,000	0.80
Trancape Pty Ltd <Atlantica No 2 A/C>	4,000	0.80
Netwealth Investments Limited <Super Services A/C>	3,746	0.75
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
Bentleigh Nominees Pty Ltd <BW Bergman A/C>	3,000	0.60
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
Mr Jian Wang	3,000	0.60
Total for 22 largest PPCHB Bondholders	268,321	53.66
Total other PPCHB Bondholders	231,679	46.34
Total PPCHB Bonds on issue	500,000	100.00

Substantial shareholders

As disclosed in substantial holding notices lodged with ASX (as applicable) as at 17 September 2020:

Name	Date of Last Notice Received	Number of Shares Held	% of Issued Shares[1]
Scorpio Nominees Pty Ltd and its associates	13 November 2018	99,156,523	20.50
Allan Gray Australia Pty Ltd and its related bodies corporate	14 August 2020	88,722,096	18.36
L1 Capital Pty Ltd	31 March 2020	67,316,177	13.93
360 Capital Whiskey Pty Ltd as trustee of 360 Capital Whiskey Trust	1 September 2020	25,747,866	5.33
Eley Griffiths Group Pty Limited	20 April 2020	24,406,898	5.05

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

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 Australian Securities Exchange ("ASX") Listing Rules or the Corporations Act.

Securities Exchange Listings

Peet Limited's ordinary shares are listed on the 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 17 September 2020, Peet Limited had 1,200,000 options on issue, held by one key management person, as disclosed elsewhere in the Annual Report.

As at 17 September 2020, Peet Limited had 7,020,590 performance rights on issue, held by a total of 10 key management personnel and other senior managers.

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

Peet Notes

As at as at 17 September 2020, Peet Limited had 75,000 unsecured and unsubordinated, 6.75% fixed-rate notes on issue, with a maturity date of 7 June 2024. Noteholders are not entitled to vote at general meetings, however, are entitled to vote on certain matters that affect their rights under the notes' Trust Deed. The notes were issued to professional and sophisticated investors and are not listed.

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.

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, FGIA, FCG (CS, CGP), 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, FGIA, FCG (CS, CGP), 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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