Peet Limited

ABN 56 008 665 834

Appendix 4D and Consolidated Financial Statements for the half-year ended 31 December 2021

Appendix 4D

Results for announcement to the market	1
Results commentary	2

Half-year financial report

Directors’ report	6
Auditor’s independence declaration	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated balance sheet	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12
Directors' declaration	18
Independent auditor review report to the members	19

Results for announcement to the market

Entity:	Peet Limited and its controlled entities
Reporting Period:	31 December 2021
Previous Corresponding Period:	31 December 2020

Revenue	Up	22%	to	$116.2m
Statutory profit after tax attributable to owners of Peet Limited	Up	103%	to	$20.6m
Basic and diluted earnings per share (cents)	Up	103%	to	4.27c

Dividends	Cents per security	% Franked per security
Current Year		
Interim dividend 2022	2.25	Fully franked
Previous Year		
Final dividend 2021	2.5	Fully franked
Interim dividend 2021	1.0	Fully franked

Results Commentary

Key Results[1]

- **Operating profit[2] and statutory profit[3] after tax of $20.6 million, up 103%**
- **Earnings per share of 4.27 cents, up 103%**
- **1,809 lots[4] sold, up 19%**
- **1,251 lots[4] settled, in line with previous corresponding period**
- **2,506 contracts on hand[4] as at 31 December 2021, up 29% since 30 June 2021**
- **Value of contracts on hand[4] as at 31 December 2021 of $817 million, up 49% since 30 June 2021**
- **Gearing[5] of 27.5%**
- **Fully franked interim dividend of 2.25 cents per share**

Financial commentary

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $20.6 million for the half-year ended 31 December 2021 ("1H22"), which represents an increase of 103% compared with the previous corresponding period. This result is approximately 8% more than the upper end of the earnings guidance announced to the market in November 2021 of an earnings range of $16 million to $19 million for 1H22.

The 1H22 result is on the back of higher sales and price growth across the Group's three business segments and across most states that it operates in, supported by solid market conditions, continued accommodative lending conditions and consumer sentiment; and despite the impacts of extended lockdowns on the east coast in the first quarter of the 2022 financial year ("FY22").

The Group derived EBITDA[6] of $32.6 million in 1H22, compared to $20.9 million for the previous corresponding period, on an increased EBITDA[6] margin of 26%, compared to 21% in 1H21. This margin increase is predominantly attributable to the performance and margin growth across the Funds Management and Joint Arrangements businesses.

The performance has resulted in earnings per share increasing 103%, compared with the previous corresponding period, to 4.27 cents.

The Group enters the second half of FY22 in a strong capital position, with gearing[5] at 31 December 2021 of 27.5% (30 June 2021: 24.8%), which is within the Company's target range of 20% to 30%.

Operational commentary

The Group achieved sales of 1,809 lots[4] (with a gross value of $584.3 million) in 1H22 across its operations, representing an increase of 19% on the number of sales achieved in the previous corresponding period.

The Group achieved settlements of 1,251 lots[4] (with a gross value of $314.3 million) in 1H22 across its operations, which is in line with the previous corresponding period.

As at 31 December 2021, there were 2,506 contracts on hand[4], with a gross value of $816.6 million, compared with 1,948 contracts on hand[4] as at 30 June 2021, with a gross value of $546.6 million. The 29% increase in the number of contracts on hand, and 49% increase in their value, provides positive momentum as the Group moves into the second half of FY22.

1 Comparative period is half year ended 31 December 2020 unless stated otherwise. The non-IFRS measures have not been audited or reviewed by EY.
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.
3 Statutory profit after tax means net profit measured in accordance with Australian Accounting Standards, attributable to the owners of Peet Limited.
4 Includes equivalent lots.
5 Calculated as (Total interest-bearing liabilities (including land vendor liabilities) less cash) / (Total assets less cash, less intangible assets).
6 EBITDA is a non-IFRIS measure that includes effects of non-cash movements in investments in associates and joint ventures.

Growth initiatives

Since 30 June 2021, Peet has announced three significant transactions.

On 22 November 2021, Peet announced the acquisition of approximately 15 hectares of land from the University of Canberra ("UC") in Belconnen, ACT for circa $67 million ("Property"). This acquisition is subject to the ACT government granting a crown lease, with the purchase price expected to be paid in instalments over seven years commencing in 2022.

Peet has also entered into an option agreement for the acquisition of a further 6.2 hectares of land from UC ("Option Land"), with the option exercisable between 1 January 2027 and 21 December 2030.

The Property has the potential to deliver more than 1,600 residences through a mix of townhouses and apartments and more than 1,000 townhouses and apartments across the Option Land. The Property is expected to be delivered over the next 15 years, while the Option Land is expected to be delivered over a five-year period if acquired, providing Peet with a long-term presence in the Belconnen Town Centre growth corridor of Canberra.

The development of the Property is expected to commence during the 2023 financial year and has an estimated gross sales value of more than $1 billion, with a decision to extend the project via the exercise of the option agreement for the Option Land not required until 2027.

On 31 December 2021, Peet announced the acquisition of its co-investment partner's 50% interest in the Flagstone City project in Queensland. The acquisition has settled at a price of $46.15 million, with the purchase price to be paid in four instalments over three years commencing on the settlement date. In addition to this payment, Peet has assumed an additional $21 million of debt, representing the former co-investor's share of Flagstone's development loan.

The acquisition gives Peet 100% ownership of the circa 11,000 remaining lots[7] with a gross development value of circa $4.0 billion in Flagstone, in Brisbane's south east growth corridor. Flagstone is a developing asset that is currently generating profits and operating cash and is expected to be earnings accretive from settlement.

On 6 January 2022, Peet announced the sale of approximately 250 hectares of broadacre land in New Beith, Queensland for circa $80 million (inclusive of GST). The sale is unconditional, with settlement scheduled to occur in the first half of FY23.

New Beith was not on the Company's short to medium term development program and has been sold at a price which is an 83% premium (net of transaction costs) to book value, providing strong market evidence of embedded value in Peet's national landbank.

These transactions underpin the Group's medium to long-term earnings visibility.

Funds Management projects

The Group's Funds Management business achieved significant increases in sales in 1H22, and settlements being in line, compared to the previous corresponding period. Strong price growth achieved across east coast projects contributed positively to the EBITDA[8] margin improving on the previous corresponding period.

- 1,042 lots[7] sold for a gross value of $279.6 million, compared with 710 lots[7] ($160.2 million) in 1H21.
- 767 lots[7] settled for a gross value of $178.8 million, compared with 769 lots[7] ($173.3 million) in 1H21.
- 1,329 contracts on hand[7] as at 31 December 2021 (as at 30 June 2021: 1,054[7]) with a total value of $353.7 million (as at 30 June 2021: $252.8 million).
- EBITDA[8] of $21.4 million compared with $12.3 million in the previous corresponding period.
- EBITDA[8] margin of 71%, compared with 64% in the previous corresponding period.

Development projects

While the number of settlements and revenue was higher in 1H22, compared to the previous corresponding period, the EBITDA margin remained the same as a result of the sale of two englobo sites in Western Australia under the Group's non-core divestment program. The significant number of contracts on hand and strong price growth achieved during 1H22 is expected to result in an improved margin in the second half.

7 Includes equivalent lots
8 EBITDA is a non-IFRIS measure that includes effects of non-cash movements in investments in associates and joint ventures.

- 317 lots[9] sold for a gross value of $149.5 million, compared with 335 lots[9] ($82.3 million) in 1H21.
- 239 lots[9] settled for a gross value of $72.1 million, compared with 173 lots[9] ($49.3 million) in 1H21.
- 334 contracts on hand[9] as at 31 December 2021 (as at 30 June 2021: 256[9]) with a total value of $172.7 million (as at 30 June 2021: $95.4 million).
- EBITDA of $8.9 million compared with $6.7 million in the previous corresponding period.
- EBITDA margin of 12%, which is in line with the previous corresponding period.

Joint Ventures

The increase in settlements across ACT/NSW and Qld projects during 1H22 were offset by the decrease in settlements in WA and SA, as well as the completion of settlements at a project in ACT during FY21, compared to the previous corresponding period. The increase in EBITDA[10] margin during 1H22 was driven by sales price growth.

- 450 lots[9] sold for a gross value of $155.2 million, compared with 477 lots[9] ($122.6 million) in 1H21.
- 245 lots[9] settled for a gross value of $63.4 million, compared with 312 lots[9] ($82.2 million) in 1H21.
- 843 contracts on hand[9] as at 31 December 2021 (as at 30 June 2021: 638[9]) with a total value of $290.2 million ($198.4 million).
- EBITDA[10] of $8.0 million compared with $7.1 million in the previous corresponding period.
- EBITDA[10] margin of 35% compared with 31% in the previous corresponding period.

Land portfolio metrics

		1H22	1H21	Change Up/(down)
Lot sales[9]		1,809	1,522	19%
Lot settlements[9]		1,251	1,254	-
Contracts on hand[9] (comparison as at 30 June 2021)	Number	2,506	1,948	29%
	Value	$816.6m	$546.6m	49%

Capital management

As at 31 December 2021, the Group's gearing[11] was 27.5%, compared to 24.8% at 30 June 2021. Gearing remains within the Group's target range of 20% to 30% and is expected to trend higher during CY22 due to the significant level of construction activity (land and medium density product) to keep up with demand and the acquisition of land from University of Canberra, ACT and the balance of the Flagstone, Qld project not already owned.

The Group's gearing[11] on its interest-bearing debt is expected to be in the range of 30% to 40% during CY22. The Group's gearing[11] including Flagstone and University of Canberra land vendor liabilities for the same period is expected to be in the range of 35% to 45%, which is within the Group's existing banking covenant. The Group's interest cover ratio is expected to be a strong 4 to 8 times during this period.

At the end of the period, the Group had interest-bearing debt (including Peet Bonds) of $271.8 million, compared with $268.0 million at 30 June 2021. Peet enters 2H22 with cash and debt facility headroom of approximately

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

$143.3 million as at 31 December 2021, which provides capacity to fund the current portfolio, and a weighted average debt maturity of close to three years.

Peet's Series 2, Tranche 1, five-year $50 million corporate bonds (ASX:PPCHB) are due to be repaid on 5 October 2022 and as such are classified as a current liability on Peet's balance sheet as at 31 December 2021. Peet will assess several refinancing alternatives including utilising existing senior debt capacity and/or raising new debt from existing or new sources. Given the alternatives available, the size of the debt to be refinanced and the time available until maturity, the directors are confident that the Group will be able to repay the bonds by the maturity date.

Dividend payments

Subsequent to 31 December 2021, the Directors have declared an interim dividend of 2.25 cents per share, fully franked, in respect of the year ending 30 June 2022. This dividend is in line with Peet's dividend pay-out policy of 50% and compares to a 1.0 cent per share, fully franked, interim dividend for the year ended 30 June 2021. The dividend is to be paid on Thursday, 14 April 2022, with a record date of Friday, 25 March 2022.

The Dividend Reinvestment Plan remains deactivated.

Group strategy

The Group's priorities and strategic focus will continue to be on:

- leveraging its large-scale national portfolio to further improve returns, including by:
    - accelerating production to meet current demand and increase operating cash flows;
    - focussing on improving project returns and operating margins; and
    - balancing the portfolio between land and built form projects and increasing the weighting to east coast markets;
- assessing capital recycling opportunities, including by assessing further divestment opportunities to maximise market cycles to unlock value where appropriate; and
- considering selective acquisitions to restock the landbank pipeline when appropriate.

Outlook

Residential market conditions are expected to remain positive over the medium term supported by the improving employment outlook, population growth and current accommodating credit conditions. However, Peet continues to monitor, assess and manage the ongoing risks brought on by COVID-19, including supply chain risks, rising development and labour costs (brought on by border restrictions/closures) and the potential for development programs to be extended.

Subject to market conditions (including the impact of the above mentioned risks) and the timing of settlements, the Group is well-positioned for further earnings growth in 2H22, supported by substantial contracts on hand, continuing sales momentum and full ownership of the Flagstone City project.

Brendan Gore
Managing Director and Chief Executive Officer
23 February 2022

Directors report

Your Directors present their report on the Consolidated Entity consisting of Peet Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

Tony Lennon (Chairman)

Brendan Gore

Anthony Lennon

Trevor Allen

Vicki Krause

Robert McKinnon

Review of operations

Net profit after tax for the half-year ended 31 December 2021 attributable to owners of Peet Limited was $20.6 million (2021: $10.1 million). The review of operations for the Group for the half-year ended 31 December 2021 and the results of those operations are covered in the Results Commentary section on pages 2 to 5.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/91, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors 'report and financial report have been rounded off to the nearest thousand dollars in accordance with that legislative instrument.

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
23 February 2022

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Building a better working world

Auditor's independence declaration to the directors of Peet Limited

As lead auditor for the review of the half-year financial report of Peet Limited for the half-year ended 31 December 2021, 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 review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
23 February 2022

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	Notes	December 2021 $'000	December 2020 $'000
Revenue	5	116,224	94,883
Expenses	6	(98,947)	(83,882)
Finance costs	6	(1,091)	(2,985)
Share of net profit of associates and joint ventures		11,020	5,680
Profit before income tax		**27,206**	**13,696**
Income tax expense	7	(6,729)	(3,733)
Profit for the period		**20,477**	**9,963**
Attributable to:			
Owners of Peet Limited		20,613	10,147
Non-controlling interests		(136)	(184)
		20,477	**9,963**
Other comprehensive income			
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive income for the period		**20,477**	**9,963**

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

	Notes	Cents	Cents
Basic and diluted earnings per share	8	4.27	2.10

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 31 December 2021

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	Notes	December 2021 $000	June 2021 $000
Current assets			
Cash and cash equivalents		38,027	64,125
Receivables		24,085	25,925
Contract assets		19,999	11,528
Inventories		147,017	114,898
Total current assets		**229,128**	**216,476**
Non-current assets			
Receivables		53,063	52,809
Contract assets		3,726	3,726
Inventories		354,071	375,027
Investments accounted for using the equity method		241,151	232,622
Property, plant and equipment		3,373	3,096
Right-of-use assets		3,178	3,848
Intangible assets		1,983	2,194
Total non-current assets		**660,545**	**673,322**
Total assets		**889,673**	**889,798**
Current liabilities			
Payables		25,222	34,549
Borrowings	9	68,701	3,555
Lease liabilities		1,875	1,797
Derivative financial instruments		-	1,529
Current tax liabilities		2,607	6,371
Provisions		13,911	12,730
Total current liabilities		**112,316**	**60,531**
Non-current liabilities			
Borrowings	9	203,106	264,430
Lease liabilities		2,772	3,723
Deferred tax liabilities		16,850	15,286
Provisions		13,282	13,233
Total non-current liabilities		**236,010**	**296,672**
Total liabilities		**348,326**	**357,203**
Net assets		**541,347**	**532,595**
Equity			
Contributed equity	10	378,916	378,916
Reserves		(1,092)	(1,449)
Retained profits		147,345	138,814
Capital and reserves attributable to owners of Peet Limited		**525,169**	**516,281**
Non-controlling interest		16,178	16,314
Total equity		**541,347**	**532,595**

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

	Notes	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2020		**378,916**	**(2,557)**	**121,750**	**498,109**	**16,729**	**514,838**
Profit for the period		-	-	10,147	10,147	(184)	9,963
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**10,147**	**10,147**	**(184)**	**9,963**
Vesting of performance rights		-	(492)	-	(492)	-	(492)
Share-based payments		-	83	-	83	-	83
Dividends paid		-	-	(4,833)	(4,833)	-	(4,833)
Balance at 31 December 2020		**378,916**	**(2,966)**	**127,064**	**503,014**	**16,545**	**519,559**
Balance at 1 July 2021		**378,916**	**(1,449)**	**138,814**	**516,281**	**16,314**	**532,595**
Profit for the period		-	-	20,613	20,613	(136)	20,477
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**20,613**	**20,613**	**(136)**	**20,477**
Vesting of performance rights		-	(635)	-	(635)	-	(635)
Share-based payments		-	992	-	992	-	992
Dividends paid	12	-	-	(12,082)	(12,082)	-	(12,082)
Balance at 31 December 2021		**378,916**	**(1,092)**	**147,345**	**525,169**	**16,178**	**541,347**

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

	Notes	December 2021 $'000	December 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		112,119	98,569
Payments to suppliers and employees (inclusive of GST)		(85,486)	(71,838)
Payments for purchase of land		(27,210)	(42,654)
Interest and other finance costs paid		(12,321)	(11,489)
Distributions and dividends received from associates and joint ventures		713	6,786
Interest received		-	320
Income tax paid		(8,929)	(2,386)
Net cash outflow from operating activities		**(21,114)**	**(22,692)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,050)	(53)
Proceeds from capital returns from associates and joint ventures		813	38
Loans to associates and joint ventures		(350)	(5,142)
Repayment of loans by associates and joint ventures		4,841	10,214
Net cash inflow from investing activities		**4,254**	**5,057**
Cash flows from financing activities			
Dividends paid		(12,083)	(4,833)
Repayment of borrowings		(47,025)	(21,800)
Proceeds from borrowings		50,744	20,000
Payment of principal portion of lease liabilities		(874)	(780)
Net cash outflow from financing activities		**(9,238)**	**(7,413)**
Net decrease in cash and cash equivalents		(26,098)	(25,048)
Cash and cash equivalents at the beginning of the period		64,125	46,838
Cash and cash equivalents at the end of the period		**38,027**	**21,790**

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

1. Basis of preparation of consolidated financial statements

The general purpose condensed financial report for the half-year ended 31 December 2021 is for the Consolidated Entity comprising of Peet Limited and its subsidiaries ("Group"). 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 financial report was authorised for issue by the Directors on 23 February 2022. The financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2021 and any public announcements made by Peet Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as at 1 July 2021. Several other amendments and interpretations apply for the first time on 1 July 2021, but do not have a material impact on the condensed financial report of the Group.

3. 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 has been identified as the executive management group.

The executive management group assesses the performance of the operating segments based on multiple measures including EBITDA[12], EBIT[13] and profit after tax.

The share of profits from associates and joint ventures is included as segment revenue as it is treated a revenue of internal reporting purposes.

The Group operates only in Australia.

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

(a) Funds management

Peet Limited enters into asset and funds management agreements with external capital providers. Peet Limited 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 project.

(b) 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.

(c) 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 Limited 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.

(d) Inter-segment eliminations and other unallocated

Segment revenue, expenses and results include transfers between segments. Such transfers are based on an arm's length basis and are eliminated on consolidation.

The adoption of AASB 10 Consolidated Financial Statements from 1 July 2013, resulted in certain property syndicates being consolidated. These entities, however, continue to be managed and reported to the executive management group as part of the funds

[12] EBITDA: Earnings Before Interest (including interest and finance charges amortised through cost of sales) Tax, Depreciation and Amortisation.
[13] EBIT: Earnings Before Interest (including interest and finance charges amortised through cost of sales) and Tax.

management business segment. Adjustments are included in "Inter-Segment Eliminations and Other Unallocated" to reconcile reportable business segment information to the Group's consolidated statement of profit or loss.

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4. Segment financial information

	Funds management		Company-owned projects		Joint arrangements		Inter-segment transfers and other unallocated		Consolidated	
	December 2021 $'000	December 2020 $'000	December 2021 $'000	December 2020 $'000	December 2021 $'000	December 2020 $'000	December 2021 $'000	December 2020 $'000	December 2021 $'000	December 2020 $'000
Revenue by segment										
Sales to external parties	21,253	16,255	71,978	53,165	19,463	19,968	835	1,502	113,529	90,890
Other income	1,552	401	1,002	3,308	141	284	-	-	2,695	3,993
Share of net profit of associates and JVs	7,359	2,485	-	-	3,390	2,830	271	365	11,020	5,680
Total	**30,164**	**19,141**	**72,980**	**56,473**	**22,994**	**23,082**	**1,106**	**1,867**	**127,244**	**100,563**
Corporate overheads							(5,694)	(5,037)	(5,694)	(5,037)
EBITDA[1]	**21,417**	**12,265**	**8,909**	**6,745**	**8,012**	**7,088**	**(5,722)**	**(5,183)**	**32,616**	**20,915**
Depreciation and amortisation	(25)	(25)	(119)	(154)	(36)	(92)	(872)	(1,208)	(1,052)	(1,479)
Segment result (EBIT[2])	**21,392**	**12,240**	**8,790**	**6,591**	**7,976**	**6,996**	**(6,594)**	**(6,391)**	**31,564**	**19,436**
Financing costs (includes interest and finance costs expensed through cost of sales)									(4,358)	(5,740)
Profit before income tax									**27,206**	**13,696**
Income tax expense									(6,729)	(3,733)
Profit after income tax									**20,477**	**9,963**
Loss attributable to non-controlling interests									136	184
Profit attributable to owners of Peet Limited									**20,613**	**10,147**

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

	December 2021 $'000	December 2020 $'000
Revenue from contracts with customers		
- Sales of land and built form	83,874	67,790
- Project management and selling services	29,655	23,100
Other income	2,695	3,993
	116,224	**94,883**

6. Expenses

	December 2021 $'000	December 2020 $'000
Profit before income tax includes the following specific expenses:		
Land and development costs	61,000	53,442
Net realisable value adjustments	3,827	-
Amortised interest and finance expense	3,267	2,755
Total land and development cost	**68,094**	**56,197**
Depreciation		
- Right-of-use assets	670	670
- Property, plant and equipment	309	436
Amortisation	73	373
Total depreciation and amortisation	**1,052**	**1,479**
Employee benefits expense	15,829	11,219
Project management, selling and other operating costs	7,257	8,006
Other expenses	6,715	6,981
Total other expenses	**29,801**	**26,206**
Total expenses	**98,947**	**83,882**
Finance costs		
Interest and finance charges		
- Bank borrowings	3,274	2,620
- Lease liabilities	174	230
Interest on corporate bonds	5,868	7,967
Amount capitalised	(8,225)	(7,832)
Total finance costs	**1,091**	**2,985**

7. Income tax

	December 2021 $'000	December 2020 $'000
Major components of tax expense		
Current tax	5,197	5,055
Deferred tax	1,507	(1,322)
	6,704	**3,733**
Adjustments for prior periods	25	-
	6,729	**3,733**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	27,206	13,696
Tax at Australian tax rate of 30%	8,162	4,109
Tax effect of amounts which are not assessable or deductible:		
Share of net profit of associates	(1,635)	(192)
Employee benefits	107	(123)
Franking credits	(181)	(340)
Other	276	279
	6,729	**3,733**

8. Earnings per share

	December 2021	December 2020
Profit attributable to the ordinary equity holders of the Company ($'000)	20,613	10,147
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	483,300,489	483,300,489
Basic and diluted earnings per share (cents)	4.27	2.10

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.

9. Borrowings

	December 2021		June 2021	
	Facility Amount	Utilised Amount[2]	Facility Amount	Utilised Amount[2]
	$'000	$'000	$'000	$'000
Bank loans[1]	**202,000**	**73,908**	**202,000**	**70,330**

	Face value	Carrying amount[3]	Face value	Carrying amount[3]
	$'000	$'000	$'000	$'000
Peet bonds Series 2, Tranche 1	50,000	49,793	50,000	49,726
Peet notes 2019	75,000	74,081	75,000	73,996
Peet notes 2021	75,000	74,025	75,000	73,933
	200,000	**197,899**	**200,000**	**197,655**

[1] Secured

[2] Excludes bank guarantees. Refer note 11 for bank guarantees information.

[3] Net of transaction costs.

The borrowings are disclosed as follows in the balance sheet:

	December 2021 $'000	June 2021 $'000
Borrowings - Current	68,701	3,555
Borrowings - Non-current	203,106	264,430
Total borrowings	**271,807**	**267,985**
Cash and cash equivalents	(38,027)	(64,125)
Net debt	**233,780**	**203,860**

Current borrowings as at 31 December 2021 include the $50 million Peet bonds Series 2 Tranche 1 which mature in October 2022.

10. Contributed equity

The number of ordinary shares on issue and contributed equity at 31 December 2021 is 483,300,489 shares and $378.9 million (30 June 2021: 483,300,489 shares and $378.9 million), respectively.

11. Contingencies and commitments

Contingencies

	December 2021 $'000	June 2021 $'000
Bank guarantees outstanding	23,922	21,905
Insurance bonds outstanding	17,150	14,539
	41,072	**36,444**

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.

Commitments

On 31 December 2021, the Group had a commitment of $67.1 million to pay for the acquisition of approximately 15 hectares of land from the University of Canberra in ACT. The purchase price is expected to be paid in instalments over seven years commencing in 2022. A further $5.5 million collaboration payment is to be paid by the Group to the University of Canberra in equal instalments between 2022 and 2029. This payment is subject to settlement, which remains conditional at balance date, therefore no liability has been recognised at 31 December 2021.

12. Dividends

Dividends paid

The Directors declared a final fully franked dividend of 2.5 cents per share in respect of the year ended 30 June 2021. The dividend of $12.1 million was paid on 11 October 2021.

Dividends not recognised at period end

Subsequent to 31 December 2021, the Directors have declared an interim dividend of 2.25 cents per share fully franked in respect of the year ending 30 June 2022. The dividend is to be paid on Thursday, 14 April 2022, with a record date of Friday, 25 March 2022.

13. Fair value measurements

Measurement

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

At 31 December 2021, the fair value of these loans to associates and joint ventures was $35.1 million (30 June 2021: $37.7 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). These derivatives expired during the period with nil fair value (30 June 2021: $1.5 million).

There have been no transfers between levels during the period.

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

The quoted market value (on ASX) as at 31 December 2021 of a Peet bond Series 2, Tranche 1 was $101.50 (30 June 2021: $100.04).

The fair value of Peet Notes 2019 as at 31 December 2021 was $1,018.72 per note (30 June 2021: $1,021.60) and of Peet Notes 2021 as at 31 December 2021 was $1,020.60 per note (30 June 2021: $1,016.80).

At 31 December 2021, the carrying value and the fair value of Peet bonds and notes were $197.9 million (30 June 2021: $197.7 million) and $203.7 million (30 June 2021: $202.9 million), respectively.

14. Events after the end of the reporting period

In January 2022, Peet Limited acquired Spirit Super's 50% shareholding in the Flagstone City project in Queensland for $46.2 million. The purchase price is to be paid in four instalments over three years with the first instalment of $13.8 million having occurred in January 2022. This acquisition has given Peet a 100% ownership of the Flagstone City project.

In January 2022, the Group announced the sale of approximately 250 hectares of broadacre land in New Beith, Queensland for $80.0 million (inclusive of GST) to Frasers Property New Beith Pty Limited (ACN 655 630 381) as trustee for Frasers Property New Beith Trust. The sale is unconditional, with settlement scheduled to occur in the first half of FY23.

No other matters or circumstances have arisen since the end of the half-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.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Peet Limited will be able to pay its debts as and when they become due and payable.

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

BRENDAN GORE
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
23 February 2022

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Independent auditor's review report to the members of Peet Limited

Conclusion

We have reviewed the accompanying half-year financial report of Peet Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2021, 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 half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
23 February 2022