Peet Limited

ABN 56 008 665 834

Appendix 4D and Consolidated Financial Statements for the half-year ended 31 December 2020

Appendix 4D

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Results for announcement to the market

Entity:	Peet Limited and its controlled entities
Reporting Period:	31 December 2020
Previous Corresponding Period:	31 December 2019

Revenue	Up	8%	to	$94.9m
Statutory profit after tax attributable to owners of Peet Limited	Up	101%	to	$10.1m
Basic and diluted earnings per share (cents)	Up	100%	to	2.10c

Dividends	Cents per security	% Franked per security
Current Year		
Interim dividend 2021	1.0	Fully franked
Previous Year		
Final dividend 2020	1.0	Fully franked
Interim dividend 2020	0.5	Fully franked

Results Commentary

Key Results[1]

- **Operating profit[2] and statutory profit[3] after tax of $10.1 million, up 101%**
- **Earnings per share of 2.1 cents, up 100%**
- **1,522 lots[4] sold, up 50% on 1H20 and 16% on 2H20**
- **1,254 lots[4] settled, up 62%**
- **2,054 contracts on hand[4] as at 31 December 2020, up 15% since 30 June 2020**
- **Gearing[5] of 30%**
- **Fully franked interim dividend of 1.0 cents per share**

Financial commentary

The Peet Group achieved an operating profit[2] and statutory profit[3] after tax of $10.1 million for the half-year ended 31 December 2020, which represents an increase of 101% compared with the previous corresponding period. This performance was achieved on the back of improved market conditions and accommodative government stimulus in response to COVID-19.

The Group derived EBITDA[6] of $20.9 million in 1H21, compared to $12.7 million for the previous corresponding period, on an increased EBITDA[6] margin of 21%, compared to 14% in 1H20. This margin increase represents a combination of a significantly improved performance across the Funds Management and Joint Arrangements businesses and a reduction in expenses as the Group progresses its cost-outs.

The performance has resulted in earnings per share increasing 100% to 2.1 cents, compared with the previous corresponding period.

Operational commentary

The Group achieved sales of 1,522 lots[4] (with a gross value of $365.1 million) in 1H21 across its operations, representing an increase of 50% on the number of sales achieved in the previous corresponding period.

The uplift in sales was evidenced across all the Group's business segments (Funds Management, Company-owned and Joint Arrangements) and across WA, Qld, NSW/ACT and SA. Sales in Victoria were impacted by the COVID-19-related lockdowns and the substantial completion of two projects in FY20.

The Group achieved settlements of 1,254 lots[4] (with a gross value of $304.8 million) in 1H21 across its operations, representing an increase of 62% on the number of settlements achieved in the previous corresponding period.

The increase in settlements was evidenced across all the Group's business segments and the states it operates in. The prudent management of inventory both before and during COVID-19 has allowed the Group to meet the timeframes to deliver government stimulus-eligible lots (Federal Government's HomeBuilder grant and the WA State Government's Building Bonus grant) for which demand has been strong.

As at 31 December 2020, there were 2,054 contracts on hand[4], with a gross value of $488.0 million, compared with 1,786 contracts on hand[4] as at 30 June 2020, with a gross value of $427.7 million. The 15% increase in the number of contracts on hand, and 14% increase in their value, provides positive momentum as the Group moves into the second half of FY21.

1 Comparative period is half year ended 31 December 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 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.

Funds Management projects

The Group's Funds Management business achieved significant increases in both sales and settlements during 1H21, compared to the previous corresponding period. The 1H21 saw the first sales from the Group's Brabham (WA) project, which helped offset lower sales from the strong performing Acacia (Vic) project, which substantially sold out during FY20. The increased revenues on the back of increased activity contributed positively to the EBITDA[7] and EBITDA[7] margin. The EBITDA[7] margin increased back towards traditional levels of greater than 60%.

- 710 lots[8] sold for a gross value of $160.2 million, compared with 566 lots[8] ($126.0 million) in 1H20.
- 769 lots[8] settled for a gross value of $173.3 million, compared with 408 lots[8] ($94.1 million) in 1H20.
- 1,114 contracts on hand[8] as at 31 December 2020 with a total value of $228.1 million.
- EBITDA[7] of $12.3 million compared with $5.8 million in the previous corresponding period.
- EBITDA[7] margin of 64%, compared with 50% in the previous corresponding period.

Development projects

While the number of settlements and revenue was higher in 1H21, compared to the previous corresponding period, the EBITDA[7] contribution was down 7% and the EBITDA[7] margin was in line with the previous corresponding period. The EBITDA[7] results were due to the mix of product settling during the period and the reduced settlements from the first phase of the Group's Craigieburn (Vic) project, which substantially completed in FY20.

- 335 lots[8] sold for a gross value of $82.3 million, compared with 252 lots[8] ($67.0 million) in 1H20.
- 173 lots[8] settled for a gross value of $49.3 million, compared with 168 lots[8] ($41.6 million) in 1H20.
- 371 contracts on hand[8] as at 31 December 2020, with a total value of $91.4 million.
- EBITDA[7] of $6.7 million compared with $7.2 million in the previous corresponding period.
- EBITDA[7] margin of 12% compared with 13% in the previous corresponding period.

Joint Ventures

The number of settlements was up across all remaining Joint Venture projects in 1H21, compared to the previous corresponding period. The Group's Joint Venture projects located in Qld, NSW, WA and SA contributed approximately 27% of the Group's EBITDA[7].

- 477 lots[8] sold for a gross value of $122.6 million, compared with 194 lots[8] ($40.9 million) in 1H20.
- 312 lots[8] settled for a gross value of $82.2 million, compared with 197 lots[8] ($43.6 million) in 1H20.
- 569 contracts on hand[8] as at 31 December 2020 with a total value of $168.5 million.
- EBITDA[7] of $7.1 million compared with $5.0 million in the previous corresponding period.
- EBITDA[7] margin of 31% compared with 24% in the previous corresponding period.

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

Land portfolio metrics

		1H21	1H20	Change Up/(down)
Lot sales[9]		1,522	1,012	50%
Lot settlements[9]		1,254	773	62%
Contracts on hand[9] (comparison as at 30 June 2020)	Number	2,054	1,786	15%
	Value	$488.0m	$427.7m	14%

Capital management

As at 31 December 2020, the Group's gearing[10] was 30.0%, compared to 28.8% at 30 June 2020. Gearing remains within the Group's target range of 20% to 30% and is expected to trend lower in 1H22.

With the onset of COVID-19 in 2H20, Peet proactively implemented a range of capital management initiatives to shore up liquidity and protect the balance sheet, including the deferral of the commencement of new projects and minimised development capital expenditure. The Group prudently continued to implement these initiatives until there was more clarity on the sustainability of a market recovery post the announcement of government stimulus for the housing sector.

On the back of continued economic and market improvement, the first half of the year saw a recommencement of significant investment in the creation of medium density product in Victoria and Queensland. This is continuing in 2H21, with substantial settlements and the recycling of capital from medium density projects expected in FY22.

The Group currently has $39 million of the proposed $75 million non-core asset divestment program under contract, with settlement proceeds expected in 2H21 and FY22.

At the end of the period, the Group had interest-bearing debt (including Peet Bonds) of $280.9 million, compared with $282.1 million at 30 June 2020. Approximately 92% of the Group's interest-bearing debt was hedged as at 31 December 2020, compared with 91% at 30 June 2020.

The Group enters 2H21 with cash and debt facility headroom of approximately $122.2 million as at 31 December 2020 and a weighted average debt maturity of close to two years.

Peet has commenced the process to refinance its Series 1, Tranche 1, five-year $100 million corporate bonds (ASX:PPCHA) which mature 7 June 2021. Peet is assessing several alternatives including utilising existing senior debt capacity and/or raising new debt from existing or new sources. Given external advice, the options available and progress to date, the directors are confident that the Group will be able to repay the bonds by the maturity date.

Dividend payments

Subsequent to 31 December 2020, the Directors have declared an interim dividend of 1.0 cent per share, fully franked, in respect of the year ending 30 June 2021. This dividend is in line with Peet's dividend pay-out policy of 50% and compares to a 0.5 cent per share, fully franked, interim dividend for the year ended 30 June 2020. The dividend is to be paid on Thursday, 8 April 2021, with a record date of Friday, 19 March 2021.

The Dividend Reinvestment Plan remains deactivated.

9 Includes equivalent lots.

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

Group strategy

The Group will continue to target the delivery of quality 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.

Outlook

Residential market conditions are expected to remain positive over the medium term supported by low interest rates, accommodating credit conditions and an improving employment outlook resulting from the impacts of governments’ stimulus.

The Group enters 2H21 with positive momentum supported by contracts on hand, improving sales activity, as well as new project commencements planned in the coming two years.

Brendan Gore
Managing Director and Chief Executive Officer
24 February 2021

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 2020.

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 2020 attributable to owners of Peet Limited was $10.1 million (2019: $5.1 million). The review of operations for the Group for the half-year ended 31 December 2020 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 8.

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.

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
24 February 2021

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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 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 review; and

b. No contraventions of 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

G Lotter
Partner
24 February 2021

GL:TGF:PEET:006

	Notes	December 2020 $'000	December 2019 $'000
Revenue	5	94,883	87,723
Expenses	6	(83,882)	(81,527)
Finance costs (net of capitalised borrowing costs)	6	(2,985)	(2,349)
Share of net profit of associates and joint ventures		5,680	2,769
Profit before income tax		**13,696**	**6,616**
Income tax expense	7	(3,733)	(1,715)
Profit for the period		**9,963**	**4,901**
Attributable to:			
Owners of Peet Limited		10,147	5,059
Non-controlling interests		(184)	(158)
		9,963	**4,901**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Realised losses on cash flow hedges transferred to profit or loss		-	532
Unrealised losses on cash flow hedges		-	(146)
Income tax relating to components of other comprehensive income		-	(116)
Other comprehensive income for the period, net of tax		**-**	**270**
Total comprehensive income for the period		**9,963**	**5,171**
Attributable to:			
Owners of Peet Limited		10,147	5,329
Non-controlling interests		(184)	(158)
		9,963	**5,171**

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

	Notes	Cents	Cents
Basic and diluted earnings per share	8	2.10	1.05

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

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	Notes	December 2020 $'000	June 2020 $'000
Current assets			
Cash and cash equivalents		21,790	46,838
Receivables		42,650	36,943
Contract assets		9,693	8,536
Inventories		119,390	87,087
Total current assets		**193,523**	**179,404**
Non-current assets			
Receivables		57,286	69,575
Contract assets		4,336	4,336
Inventories		387,819	391,372
Investments accounted for using the equity method		230,917	232,061
Property, plant and equipment		3,603	4,157
Right-of-use assets		4,518	5,188
Intangible assets		4,427	4,727
Total non-current assets		**692,906**	**711,416**
Total assets		**886,429**	**890,820**
Current liabilities			
Payables		32,900	33,054
Land vendor liabilities		-	6,350
Borrowings	9	99,741	118,275
Lease liabilities		1,700	1,607
Derivative financial instruments		3,056	-
Current tax liabilities		3,356	687
Provisions		13,322	14,628
Total current liabilities		**154,075**	**174,601**
Non-current liabilities			
Borrowings	9	181,149	163,879
Lease liabilities		4,647	5,520
Derivative financial instruments		-	4,407
Deferred tax liabilities		13,998	15,321
Provisions		13,001	12,254
Total non-current liabilities		**212,795**	**201,381**
Total liabilities		**366,870**	**375,982**
Net assets		**519,559**	**514,838**
Equity			
Contributed equity	10	378,916	378,916
Reserves		(2,966)	(2,557)
Retained profits		127,064	121,750
Capital and reserves attributable to owners of Peet Limited		**503,014**	**498,109**
Non-controlling interests		16,545	16,729
Total equity		**519,559**	**514,838**

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 interests $'000	Total equity $'000
Balance at 1 July 2019		**378,916**	**(5,051)**	**168,722**	**542,587**	**17,364**	**559,951**
Profit for the period		-	-	5,059	5,059	(158)	4,901
Other comprehensive income		-	270	-	270	-	270
Total comprehensive income for the period		**-**	**270**	**5,059**	**5,329**	**(158)**	**5,171**
Dividends paid		-	-	(14,499)	(14,499)	-	(14,499)
Vesting of performance rights		-	(647)	-	(647)	-	(647)
Share based payments		-	500	-	500	-	500
Balance at 31 December 2019		**378,916**	**(4,928)**	**159,282**	**533,270**	**17,206**	**550,476**
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**
Dividends paid	12	-	-	(4,833)	(4,833)	-	(4,833)
Vesting of performance rights		-	(492)	-	(492)	-	(492)
Share based payments		-	83	-	83	-	83
Balance at 31 December 2020		**378,916**	**(2,966)**	**127,064**	**503,014**	**16,545**	**519,559**

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

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	December 2020 $'000	December 2019 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	98,569	90,758
Payments to suppliers and employees (inclusive of GST)	(71,838)	(88,588)
Payments for purchase of land	(42,654)	(11,340)
Interest and other finance costs paid	(11,489)	(10,719)
Distributions and dividends received from associates and joint ventures	6,786	984
Interest received	320	34
Income tax paid	(2,386)	(5,166)
Net cash outflow from operating activities	**(22,692)**	**(24,037)**
Cash flows from investing activities		
Payments for property, plant and equipment	(53)	(407)
Payments for investment in associates and JVs	-	-
Proceeds from capital returns from associates and JVs	38	705
Loans to associates and JVs	(5,142)	(3,010)
Repayment of loans by associates and JVs	10,214	7,345
Net cash inflow from investing activities	**5,057**	**4,633**
Cash flows from financing activities		
Dividends paid	(4,833)	(14,499)
Repayment of borrowings	(21,800)	-
Proceeds from borrowings	20,000	30,151
Repayment of principle portion of lease liabilities	(780)	(694)
Net cash (outflow)/inflow from financing activities	**(7,413)**	**14,958**
Net decrease in cash and cash equivalents	(25,048)	(4,446)
Cash and cash equivalents at the beginning of the period	46,838	33,606
Cash and cash equivalents at end of the period	**21,790**	**29,160**

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 2020 is for the Consolidated Entity consisting 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 24 February 2021. 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 2020 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. Going concern basis

At 31 December 2020 the Group had current assets of $193.5 million and current liabilities of $154.1 million. At 31 December 2020 Peet Limited had cash and available headroom in its senior bank debt facility of $114.5 million. For the six months ended 31 December 2020 the Group generated net operating cash flows of $19.1 million before land acquisitions.

On 7 June 2016, Peet Limited issued 1,000,000 Peet Series 1 Tranche 1 bonds with a face value of $100 per bond (the Bonds). The Bonds are unsecured and interest-bearing at a fixed rate of 7.5% with a maturity date of 7 June 2021. As such they are classified as a current liability on the Group's balance sheet as at 31 December 2020.

Peet Limited has commenced the process to refinance the Bonds. Peet Limited is assessing several alternatives including utilising existing senior debt capacity and/or raising new debt from existing or new sources. Given external advice, the options available and progress to date, the directors are confident that the Group will be able to repay the Bonds by the maturity date. As such, it is appropriate to prepare the financial statements on a going concern basis.

In the event that all of the options available to Peet Limited do not transpire and the Group is unable to repay the Bonds by their maturity date, there is material uncertainty as to whether the Group can continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the Group not be able to continue as a going concern.

3. 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 2020, except for the adoption of new standards effective as at 1 July 2020. Several other amendments and interpretations apply for the first time on 1 July 2020, but do not have a material impact on the condensed financial report 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 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[11], EBIT[12] 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.

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 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.

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

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	Funds management		Company owned projects		Joint arrangements		Inter-segment eliminations and other unallocated		Consolidated	
	December 2020 $'000	December 2019 $'000	December 2020 $'000	December 2019 $'000	December 2020 $'000	December 2019 $'000	December 2020 $'000	December 2019 $'000	December 2020 $'000	December 2019 $'000
Sales to external customers	16,255	10,300	53,165	55,075	19,968	19,367	1,502	1,576	90,890	86,318
Other income	401	197	3,308	1,028	284	159	-	21	3,993	1,405
Share of net profit of associates and JVs	2,485	1,136	-	-	2,830	1,298	365	335	5,680	2,769
Total	**19,141**	**11,633**	**56,473**	**56,103**	**23,082**	**20,824**	**1,867**	**1,932**	**100,563**	**90,492**
Corporate overheads							(5,037)	(5,287)	(5,037)	(5,287)
EBITDA	**12,265**	**5,763**	**6,745**	**7,207**	**7,088**	**5,030**	**(5,183)**	**(5,267)**	**20,915**	**12,733**
Depreciation and amortisation	(25)	(25)	(154)	(132)	(92)	(92)	(1,208)	(1,434)	(1,479)	(1,683)
EBIT	**12,240**	**5,738**	**6,591**	**7,075**	**6,996**	**4,938**	**(6,391)**	**(6,701)**	**19,436**	**11,050**
Financing costs (includes interest and finance costs expensed through cost of sales)									(5,740)	(4,434)
Profit before income tax									**13,696**	**6,616**
Income tax expense									(3,733)	(1,715)
Profit for the period									**9,963**	**4,901**
Loss attributable to non-controlling interests									184	158
Profit attributable to owners of Peet Limited									**10,147**	**5,059**

5. Revenue

	December 2020 $'000	December 2019 $'000
Revenue from contracts with customers		
- Sale of land and built form	67,790	69,989
- Project management and selling services	23,100	16,329
Other income	3,993	1,405
	94,883	**87,723**

6. Profit before income tax

	December 2020 $'000	December 2019 $'000
Profit before income tax includes the following specific expenses:		
Expenses		
Land and development cost	53,442	47,782
Amortised interest and finance expense	2,755	2,085
Total land and development cost	**56,197**	**49,867**
Depreciation		
- Right-of-use assets	670	670
- Other assets	436	467
Amortisation	373	546
Total depreciation and amortisation	**1,479**	**1,683**
Employee benefits expense	11,219	14,363
Project management, selling and other operating costs	8,006	8,859
Other expenses	6,981	6,755
Total other expenses	**26,206**	**29,977**
Total expenses	**83,882**	**81,527**
Finance costs		
Interest and finance charges		
- Bank borrowings	2,620	2,457
- Lease liabilities	230	279
Interest on bonds	7,967	8,186
Amount capitalised	(7,832)	(8,573)
Total finance costs	**2,985**	**2,349**

7. Income tax

	December 2020 $'000	December 2019 $'000
Major components of tax expense		
Current tax	5,055	-
Deferred tax	(1,322)	1,678
	3,733	**1,678**
Adjustments for prior period	-	37
	3,733	**1,715**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	13,696	6,616
Tax at Australian tax rate of 30% (2019: 30%)	4,109	1,985
Tax effect of amounts which are not assessable/deductible		
Share of net profit of associates	(192)	(358)
Employee benefits	(123)	(44)
Franking rebate	(340)	(95)
Other	279	190
Under/(over) provision in prior years	-	37
	3,733	**1,715**

8. Earnings per share

	December 2020	December 2019
Profit attributable to the ordinary equity holders of the Company ($'000)	10,147	5,059
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)	2.10	1.05

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 2020		June 2020	
	Facility Amount	Utilised Amount[2]	Facility Amount	Utilised Amount[2]
	$'000	$'000	$'000	$'000
Bank loans[1]	**177,000**	**57,667**	**177,700**	**59,341**

	Face value	Carrying amount[3]	Face value	Carrying amount[3]
	$'000	$'000	$'000	$'000
Peet bonds				
Series 1, Tranche 1	100,000	99,741	100,000	99,500
Series 2, Tranche 1	50,000	49,610	50,000	49,517
Peet notes	75,000	73,872	75,000	73,796
	225,000	**223,223**	**225,000**	**222,813**

[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 2020 $'000	June 2020 $'000
Borrowings – Current	99,741	118,275
Borrowings – Non-current	181,149	163,879
Total borrowings	280,890	282,154
Cash and cash equivalents	(21,790)	(46,838)
Net debt	259,100	235,316

10. Contributed equity

The number of ordinary shares on issue and contributed equity at 31 December 2020 is 483,300,489 shares and $378.9 million (30 June 2020: 483,300,489 shares and $378.9 million), respectively.

11. Contingencies and commitments

Contingencies

	December 2020 $'000	June 2020 $'000
Bank guarantees outstanding	20,061	21,684
Insurance bonds outstanding	14,156	13,604
	34,217	**35,288**

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

At 31 December 2020, the Group had commitments of $11.6 million (30 June 2020: $29.4 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.

12. Dividends

Dividends paid

The Directors declared a final fully franked dividend of 1.00 cents per share in respect of the year ended 30 June 2020. The dividend of $4.8 million was paid on 19 November 2020.

Dividends not recognised at period end

Subsequent to 31 December 2020, the Directors have declared an interim dividend of 1.0 cents per share fully franked in respect of the year ending 30 June 2021. The dividend is to be paid on Thursday, 8 April 2021, with a record date of Friday, 19 March 2021.

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 cashflows with significant unobservable inputs at each reporting date. (level 3 of the fair value hierarchy).

At 31 December 2020, the carrying amount and fair value of these loans to associates and joint ventures was $66.4 million and $55.8 million (30 June 2020: $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 31 December 2020 was $3.1 million (30 June 2020: $4.4 million).

There have been no transfers between levels during the period.

Disclosure

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 2020 of a Peet bond Series 1, Tranche 1 was $101.0 and of a Peet bond Series 2, Tranche 1 was $97.8.

The fair value of Peet Notes as at 31 December 2020 was $1,007.3 per note.

At 31 December 2020, the carrying value of Peet bonds and notes was $223.2 million (fair value $225.7 million).

14. Events after the end of the reporting period

No 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 9 to 18 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 2020 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, subject to the matters set out in Note 2.

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

BRENDAN GORE
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
24 February 2021

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

Report on the half-year financial report

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 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 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 2020 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*.

Emphasis of matter – material uncertainty related to going concern

Without qualifying our conclusion, we draw attention to Note 2 in the half-year financial report. The conditions as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying

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with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
24 February 2021