

# MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REVIEW

The 2009 financial year presented very significant challenges but the Company has moved into the new financial year as a stronger and more efficient business as a result of the proactive and disciplined manner in which we have met those challenges.

The increase in revenue (up 5.3%) from strong sales across the business, a significant reduction in net debt and relatively low levels of gearing, evidence the underlying strength of Peet's business and its management strategy.

The Group's operating profit after tax was \$31.2 million, representing a decrease of 37% over the previous corresponding period. Its statutory profit after tax of \$12 million includes a write-down in the carrying value of inventories of more than \$19 million, net of tax. It is noteworthy that more than half the write-downs were attributable to non-core assets including industrial landholdings.

Also reflected in the overall results are tighter margins due to a combination of factors including the highly competitive market, Peet's own proactive strategy to meet the market as part of its capital management program, and increased incentives to meet market demand and to stimulate sales activity consistent

with Peet's approach to monetise development assets.

Peet's activities and results over the past year reflect a very strategic decision to dedicate ourselves to the business in which we specialise and in which we have unique expertise and experience. Peet is Australia's only scale pure-play residential land development business and we will continue to confirm that position in the year ahead, leveraging off our existing platform and growing our Funds Management business.

The Group holds a land bank of considerable size and geographic diversity, with a particular emphasis on the robust Victorian market and strengthening Western Australian market. It continues to allow significant flexibility in the management of our production pipeline and enables us to be acutely responsive to our core markets.

The Group sold more than 2,400 lots from its managed and owned projects during the year, grossing in excess of \$447 million. There were slightly fewer settlements during the period (2,282 grossing more than \$428 million) though another 1,048 lots were under contract and awaiting settlement as at 30 June 2009.

While government incentives and the low interest rate environment motivated first homebuyers, particularly after the introduction of the Federal Government's First Home Owner's Boost in September 2008, the second half of the year saw evidence of a flow-on effect to second homebuyers and investors returning to the market.

Peet was able to take advantage of improved affordability with a range of titled stock available in different locations, priced to suit first and second homebuyers.

The past year has been another successful one for Peet's land syndication business with investors in many syndicates benefiting from dividends paid during the year and fees from the Funds Management business making a sound contribution to Peet Limited's total revenue.

Though market conditions and sentiment were not conducive to the launch of a new syndicated product, we look forward to providing future opportunities including the \$26 million Peet Point Cook Kingsford Syndicate, launched in August 2009.

Some 16 syndicates contributed to the Group's profit during the year (an increase of four over the previous year) and there were sales of almost 1,600 syndicated lots – an 11% increase. In addition, more than 750 syndicated lots were sold and awaiting settlement at 30 June 2009.

In 2009/2010, first sales are also expected at the impressive beachfront project at Alkimos, north of Perth. Managed on behalf of Peet's first wholesale land syndicate, the project has achieved important approvals including environmental approval from the Federal Government and, since year-end, District Structure Plan approval from the Western Australian Planning Commission.

The new financial year brings ongoing challenges – and significant opportunities. The Alkimos project is one of up to five carefully selected new projects on which Peet plans to commence development in the year ahead. With credit conditions expected to remain tight in the short-term, we will continue to constrain development activities where appropriate as part of an ongoing prudent capital management program.

We move into the new financial year, having successfully delivered a number of key components of our capital management plan including a \$77.7 million equity raising, which has strengthened the Group's balance sheet and reduced gearing; the extension of core banking facilities; an increase in the weighted debt maturity profile (to 2.8 years); a reduction in net interest-bearing debt; and a decrease in the weighted average cost of debt.

The decision to undertake an assessment of carrying values in light of market conditions, resulting in a write-down of the Group's development assets of \$27.4 million before tax (\$19.2 million after tax) also cleared the way for a more

positive future for the Group. The write-downs represented just 5.9% of the inventory book value as at 30 June 2009. At that date, the market value of inventory was \$537 million, compared with a book carrying value of \$438 million.

Our overall management strategy continues to position Peet well for the year ahead and expected improved conditions beyond, particularly as demand continues to outstrip supply.

Peet is managing and marketing 75 Company-owned, syndicated and joint venture residential projects around Australia. In total, the land bank stands at more than 34,400 lots with an estimated on-completion value of \$6.9 billion. More than half of the land bank is made up of the Group's syndicated and joint venture development pipeline.

In the year ahead, our focus will remain on our proven strategic approach to operational and capital management. We will continue to:

- focus on our core business across our key markets;
- grow our Funds Management platform, including expanding our brand and distributions capability on the east coast;
- monetise the land bank by commencing development and production of some of the Group's larger, key projects;
- continue our disciplined approach to capital management including maintaining a responsible level of gearing;
- address affordability with a range of product in a range of locations; and
- maintain a commitment to sustainability across our operations.

At Peet, we have an extremely high-calibre team with the capability and commitment to implement our strategies for future growth. I am particularly well-supported by a quality management group with a wealth of experience. I take this opportunity to thank our entire team of professionals who serve our investors, business partners and residents across Australia so well year after year.

On behalf of our team, I thank our Chairman, Tony Lennon, and other Board members for their support and wise counsel throughout the year.

I also thank the growing number of shareholders and syndicate investors, including a number of respected institutional investors, who continue to demonstrate their confidence in Peet.



**Brendan Gore**  
Managing Director and CEO  
29 September 2009