

OPERATIONAL REVIEW

GROUP PERFORMANCE

Highlights

- > A 5.3% increase in revenue to \$176.8 million
- > Total land bank of 34,400 lots with an estimated on-completion value of \$6.9 billion
- > More than \$447 million (total gross sales value) from more than 2,400 owned and managed lots sold – up 6% over the previous year
- > More than 2,280 lots settled for a gross value of \$428.4 million
- > Almost 1,050 lots under contract and awaiting settlement as at 30 June 2009

The size and geographic diversity of Peet's land bank enables the Company to be responsive to market conditions and provide affordable homesites for its key markets.

The Group's total revenue for the year increased by 5.3% to \$176.8 million.

Peet sold a total of 2,409 owned and managed lots during the 2009 financial year, grossing in excess of \$447 million. There were 1,048 lots under contract as at 30 June 2009, 11% more than at the same time last year, for a gross value of \$195.7 million.

Contributions to revenue were made by 32 projects – most in Victoria and Western Australia with another three in Queensland. Of those, 18 were syndicated or joint venture projects and 14 were Company-owned – an extra four projects in each business area, compared with the previous year.

Development of up to another five projects is scheduled to commence in the 2010 financial year, assuming favourable market conditions.



1/ Homesite at Sea Crest, NSW
2/ Parkland at Burns Beach Estate, WA

Peet estates

As at 30 June 2009, Peet was managing 75 land development projects around Australia.

They include new communities being established from regional Queensland to outer metropolitan Melbourne and across to Western Australia's Great Southern district, the southwest and Perth metropolitan area.

Five projects were successfully completed during the past year.

Land bank

Peet Limited has established and maintained a quality, national land bank based on acquisitions of strategically located property in growth areas, close to existing or proposed infrastructure and amenities.

At year-end, Peet's land bank, held under ownership, management or joint venture, was the equivalent of approximately 34,400 lots with an estimated on-completion value of \$6.9 billion. This represents more than 15 years supply if production were to continue at current rates. More than 18,600 of these lots are syndicated, giving thousands of investors access to the property market with the confidence of Peet's management and marketing expertise and experience.

The size, age and geographic diversity of the land bank means Peet can strategically manage its production pipeline to achieve the best possible results for shareholders and investors while addressing the needs of Australia's growing population.

Peet will maintain its commitment to excellence in the development of quality, master-planned communities, while identifying and maximizing efficiencies across its national portfolio.

The Company continues to explore and assess acquisition opportunities that may present prudent growth prospects, particularly given the challenging economic conditions expected to continue through 2009/10.

Capital management

Peet ended the year in a sound financial position and with a strong, ongoing capital management program in place.

The Group constrained development activities where appropriate and indicated by market conditions (and will continue to do so) and a short-term, strategic trade-off between earnings and margins achieved higher revenue, allowing capital to be recycled, reducing net debt and managing gearing.

The Group continued to comply with all debt covenants throughout the year and managed its debt proactively to end the year with:

- an extension of \$250 million of the Group's core debt facility;
- a reduction in net interest bearing debt to \$184.5 million;
- an increase in the weighted average debt maturity profile to 2.8 years;
- 65% of its interest bearing debt hedged; and
- a decrease in the weighted average cost of debt to 5.9%.

A successful capital raising concluded in May 2009 strengthened the balance sheet, helped reduce gearing (to 34%) and provided additional capacity and flexibility to respond to market opportunities in the year ahead. The Group ended the year with \$123 million cash at bank.

“Development of up to another five projects is scheduled to commence in the 2010 financial year, assuming favourable market conditions.”

COMPANY-OWNED PROJECTS

Highlights

> Company-owned land bank of 15,777 lots comprising 39 projects

> Gross revenue of \$125.9 million and earnings of \$31.5 million (pre write-downs) from the settlement of 671 Company-owned lots

> More than 630 lots sold for a total gross sales value of \$122.9 million

> More than 200 lots under contract and awaiting settlement as at 30 June 2009

The Group sold more than 630 lots from 14 Company-owned projects. Prices reflected tighter margins (moderating to 25%), which were part of the balance between capital replenishment and earnings, and the Company's decision to defer developments in Queensland.

Settlements were achieved on more than 670 lots contributing to revenue of \$125.9 million and another 206 owned lots were under contract as at 30 June 2009.

The total contribution to earnings from Company-owned projects (pre write-downs) was \$31.5 million. Gross revenue increased by 17% to \$125.9 million.

At year-end, Peet's Company-owned projects totalled some 15,777 lots spread across 39 projects, 29 of which are in Victoria and Western Australia. They have an estimated on-completion value of \$2.7 billion.

Some 14 Company-owned projects contributed to earnings during the year, and first sales at two new owned projects in Victoria are expected to commence in the 2010 financial year.



FUNDS MANAGEMENT

Highlights

- > 28 projects managed on behalf of 25 syndicates
- > Syndicated and joint venture land bank of 18,642 lots
- > Gross revenue of \$36.6 million and earnings of \$23.3 million from syndicated projects
- > Almost 1,600 syndicated lots sold for a total gross sales value of \$289.1 million and more than 1,480 syndicated lots settled for a gross value of \$267.7 million
- > More than 750 syndicated lots under contract but awaiting settlement as at 30 June 2009
- > 185 sales from joint venture projects

Peet manages and markets residential land developments on behalf of land syndicates and in joint venture partnerships. These managed land holdings comprise a total of more than 18,640 lots with an estimated on-completion value of \$4.2 billion.

Syndicated projects

Peet is a national leader in residential land syndicates. In response to the financial crisis, Peet did not launch any new syndicates in 2008/09, however, in the second half of the year, preparations commenced for the launch of the Peet Point Cook Kingsford Syndicate in August 2009.

This new syndicate involves a capital raising to purchase 40.2 hectares of property opposite Peet's very successful Innisfail Estate at Point Cook, just 25 kilometres from the Melbourne central business district. Development of the project (with an estimated end value of more than \$100 million) is expected to commence in March 2010.

Peet Alkimos Pty Limited is Peet's largest managed fund and was established in late 2007. The Syndicate completed the purchase of 243 hectares of outstanding coastal land just over 40 kilometres from Perth's CBD in March 2008.

In 2008/09, significant progress was made in achieving local, State and Federal government approvals. The project is expected to yield approximately 3,300 dwellings – an increase of 10% on the number of dwellings originally anticipated – at an estimated end value of \$1 billion (in today's dollars).

At year-end, Peet was managing 28 syndicated land holdings, half of which are located on the east coast.

Peet has a very strong syndication pipeline and will continue to actively implement strategies and initiatives to grow its retail investor base nationally.



1/ Boardwalk at Ashton Heights Private Estate, WA

2/ Entry statement at Greenwood Grove, Qld

3/ Sales Office at Warner Lakes, Qld



1/ Walkway at The Village at Wellard, WA
 2/ Sustainable demonstration home at Quattro: The New Queens Park, WA



Joint ventures

Peet is a respected joint venture partner, offering the benefits of stability, integrity and experience to State and local governments, organisations and individuals.

The Company has two joint venture projects with the Western Australian Government, and another at Caboolture in Queensland.

In December 2008, first sales were achieved at Quattro: The New Queens Park in WA with strong demand from first homebuyers. The Village at Wellard – an award-winning transit-oriented development in Perth’s southern corridor – added to its accolades during the year with the Urban Development Institute of Australia’s Judges’ Award.

There were a total of 185 net sales from the two joint venture projects during the year at an average price of almost \$190,000. There were 129 lots settled at an average price of more than \$198,000.

Peet Income Property Fund

The Peet Income Property Fund focuses on investment in the Australian commercial and industrial sectors.

The Fund recorded a loss for the year of \$4.32 million primarily due to a fall in the valuation of the portfolio of \$5.82 million to \$51.8 million, excluding the sale of a Darwin property. This 10% fall in the value of the portfolio was in line with falls across the broader property sector in Australia.

The Fund’s operational performance was strong with high occupancies, which has allowed the Fund to maintain distributions at the same level as the previous financial year. Distributions for the year ended 30 June 2009 totalled \$2,216,224 or 9.16 cents per unit.

The operating profit for the period, before property revaluations and one-off items, increased by 26.5% to \$1.86 million. The total income generated by the Fund rose by 13.7% to \$4.9 million.

The Fund paid Peet a total of just over \$500,000 in fees for the year. Occupancy levels remain high across the portfolio and Peet will continue to actively manage it to maximise returns to unitholders.

SUSTAINABILITY

Peet Limited is committed to environmental excellence and sustainability.

Priorities in the design and construction of our master-planned communities include the environment, safety and the promotion of a very practical sense of security.

Estate features including landscaped parklands, exercise equipment, barbecue areas and walking trails promote a healthy, outdoor lifestyle.

All Peet's communities optimise environmental features such as wetlands and natural bushland areas, and promote safety by embracing 'designing out crime' principles. The development plans for a number of estates include the preservation of large tracts of natural bushland or wetlands.

Residents in Peet communities are encouraged to become involved in the development of their estate in a range of different ways including environmental initiatives, community events and local community safety programs.

During the year, Peet undertook a range of initiatives and programs at its estates around the country.

These included:

Green Corps

The final four students working at The Village at Wellard in WA graduated from the Green Corps program in February 2009. The group had helped build a boardwalk to protect native bushland and propagated and planted native species at the Ngulla Community Nursery – another community initiative in which the joint venture project is involved.

National Tree Planting Day

Thousands of trees were planted by residents and friends and school students at Peet estates including Lakelands Private Estate and The Village at Wellard in Western Australia, and Cardinia Lakes estate in Victoria, to mark National Tree Planting Day.

Cockatoo habitat protection

Contributions were made towards the purchase of many hundreds of hectares of protected habitat for native flora and fauna, including endangered species of cockatoo as part of the development process for the Alkimos project, north of Perth.

Fauna programs

Population studies show the population of brown bandicoots and possums at The Village at Wellard in Western Australia is thriving thanks to a comprehensive environmental program including controlled access, a revegetation program and community education.

10-year environmental program

Thousands of indigenous trees, shrubs and grasses are being planted in and around Cardinia Lakes estate in Victoria as part of a 10-year environmental project to protect and revegetate natural bushland in the area. The program is approved by the Victorian Department of Sustainability and Environment and also includes grazing control, weed control and eradication and the installation of nesting boxes for possums, bats and birds.

Waterwise gardens

Peet encourages new home owners to maintain Waterwise gardens by including Waterwise front garden landscaping in its Flying Start package for purchasers in many Peet estates.

Sustainable demonstration home

Joint venture partners, Peet Limited and the WA Department of Housing maintained the sustainable demonstration home at Quattro: The New Queens Park. The Home demonstrates affordable, environmentally-friendly design elements and is also the Sales and Information Centre for the urban renewal project.

Foreshore rehabilitation

Works continued at Burns Beach Estate as part of the Foreshore Management Plan established to protect and maintain the integrity and biological diversity of the estate's foreshore reserve.

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COMMUNITY

Peet Limited is proud to have been a part of the Australian community since 1895.

Part of its commitment to Australian communities includes the support of local communities in which it operates and the wider community through the sponsorship of organisations representing the arts, social welfare groups and sport. Peet also makes corporate donations to, and participates in, fund raising activities for a wide range of groups who, in turn, help thousands of Australians in need every year.

Peet communities and thousands of neighbours and visitors also benefited from a number of public art installations in 2008/09, including magnificent sculptures at Burns Beach Estate and The Village at Wellard in Western Australia.

The official opening of a new Community House at Lakelands Private Estate in August 2008 and a raft of community activities hosted by Peet across the country, including Christmas events at Warner Lakes in Queensland and Brimbank Gardens in Victoria, also contributed to the development of more liveable communities.

A series of community grants were also made available through Peet's two joint venture projects with the Western Australian State Government.

The Company also supported a number of industry activities and organisations including the Urban Development Institute of Australia, the Planning Institute of Australia, the Property Council and the Victorian Planning and Environment Law Association's Young Professional Award.

**In 2008/09,
Peet Limited was
proud to support:**

Peet Op Shop Ball for Anglicare

West Australian Opera's Peet Young Artist Concert Series

Habitat for Humanity Tool Libraries, supporting victims of the Victorian bushfires

Foxtel Lap supporting the Murdoch Children's Research Institute

Other organisations including St Vincent de Paul and the Salvation Army

More than 25 local community, environment and sporting groups operating in and close to Peet estates around the country



AWARDS

Peet Limited has been proud to earn a number a coveted industry awards for excellence in planning, design, environmental management and the development of vibrant, sustainable communities. In the past year it added to its portfolio:

**2008 Urban Development
Institute of Australia
Judges' Award**

The Village at Wellard, WA.

**2008 Not for Profit Network Awards
Partnership of the Year**

Ngulla Nursery – a partnership including Peet Limited and the Department of Housing, the Town of Kwinana, Medina Aboriginal Cultural Community, Bridging the Gap Inc and BHP Billiton.



- 1/ Playground at Brimbank Gardens, VIC
- 2/ Resident at the Brimbank Gardens' Christmas event, VIC
- 3/ Planting day at The Village at Wellard, WA
- 4/ Green Corps students at Ngulla Nursery, WA