

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Peet Limited ('the Parent Entity' or 'the Company') and the entities it controlled at the end of, or during, the financial year ended 30 June 2009 ('Peet Group').

1 DIRECTORS

The following persons were directors of the Company during part or the whole of the financial year and up to the date of this report:

Non-executive Chairman

AW Lennon

Executive Directors

BD Gore

AJ Lennon

Non-executive Directors

WD Hemsley

SF Higgs

GW Sinclair

2 PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were asset management, funds management and land syndication. There was no significant change in the nature of the activities during the year.

3 REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS

GROUP FINANCIAL SUMMARY	CONSOLIDATED	
	2009 \$'000	2008 \$'000
Revenue	175,138	167,735
Expenses	(118,687)	(89,747)
	56,451	77,988
Write down in carrying value of inventories	(27,369)	(1,936)
EBIT	29,082	76,052
Finance costs (includes interest and finance charges amortised through cost of sales)	(11,949)	(5,995)
Profit before income tax	17,133	70,057
Income tax expense	(5,114)	(22,145)
Profit attributable to members of Peet Limited	12,019	47,912

A review of operations for the financial year and the results of those operations are set out in the Operational Review.

4 EARNINGS PER SHARE

	2009 Cents	2008 Cents
Basic earnings per share	5.1	21.6
Diluted earnings per share	5.0	21.3

Basic earnings per share is calculated after income tax expense based on the weighted average number of shares on issue at 30 June 2009.

5 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year, other than those changes identified in the financial statements for the year ended 30 June 2009.

6 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since year-end the Group has successfully negotiated the extension on \$250 million of the Group's core Multi Option Facility until October 2012, with all other facilities extended to July 2011. The Group's weighted average debt maturity profile now stands at 2.8 years, compared with 2.2 years at the same time last year.

Since year-end Peet Point Cook South Syndicate Limited, a wholly owned subsidiary of Peet Limited, has offered to sell 295 and 305 Snedyes Road, Point Cook, Victoria to the Peet Point Cook Kingsford Syndicate for \$26 million, with \$14 million payable on settlement and \$12 million payable on or about 15 November 2010. The property was valued at \$28.65 million. A capital raising of \$22 million commenced on 24 August 2009 and is expected to close on 30 October 2009. The offer is underwritten by Peet Limited.

Since year-end the Group has agreed to provide Peet Tri State Syndicate Limited, an associate of the Group, with a short-term working capital loan facility of \$7 million. The loan is on commercial terms at an interest rate of 4% above BBSY, and due to expire in December 2009. The loan is secured by a second ranking mortgage over the Syndicate property.

6 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

Since year-end the Group has agreed to provide Peet Beachton Syndicate Limited, an associate of the Group, with a short term, working capital loan facility of \$5 million. The loan is on commercial terms at an interest rate of 4% above BBSY, and is due to expire in December 2009. The loan is secured by a second ranking mortgage over the Syndicate property.

Since year-end the Group has provided a loan of \$5.4 million to Peet Caboolture Syndicate Limited. The loan represents Peet's 20% proportional contribution towards repaying the Syndicate's \$27 million debt facility, with the other shareholder also contributing funds. The loan is interest free and has no fixed maturity date.

No other matters or circumstances have arisen since the end of the financial year, which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

7 LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

No further information as to the likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has been included in this report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

8 DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED / UNFRANKED
Declared and paid during the year				
Interim 2009 ordinary	3.00	6,668	17 April 2009	Franked
Final 2008 ordinary	10.75	23,890	16 October 2008	Franked
	13.75	30,558		
Declared after year end				
Final 2009 ordinary	4.00	11,765	8 October 2009	Franked

Dividends declared or paid during the year were fully franked.

The financial effect of the dividend declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 30 June 2009 and will be recognised in the following financial period.

The amount of dividends payable subsequent to year end is based on the 294 million ordinary shares on issue at the record date.

9 ENVIRONMENTAL REGULATION

The consolidated entity is subject to environmental regulation by way of the *Environmental Protection Act 1986* (as amended) and the *Contaminated Sites Act 2003* in respect to its Western Australian land subdivision activities, the *Environmental Protection Act 1970* (as amended) in respect to its Victorian subdivision activities, the *Environmental Protection Act 1994* (including Regulations 1998) and the *Integrated Planning Act* in respect to its Queensland land subdivision activities and the *Environmental Planning and Assessment Act 1979* in respect to its New South Wales subdivision activities.

The Company is not aware of any breaches of environmental regulations in respect of its activities.

Greenhouse gas and energy data reporting requirements

The consolidated entity is also subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*, which requires the Group to report its annual greenhouse gas (GHG) emissions and energy use if it emits greenhouse gases, produces energy, or consumes energy at or above specified GHG emission thresholds per financial year starting 1 July 2008.

The Group is not required to register and report to the Department of Climate Change as the Group's GHG emissions or energy consumption is below the reporting threshold for the 2008-09 reporting period.

10 INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Please refer to the Board of Directors section of this report for information on directors.

Company Secretary

The Company Secretary is Mr Dom Scafetta, who was appointed to the position on 19 January 2005. He is a qualified Chartered Accountant and joined the Company in 1998. He is responsible for the corporate compliance and secretarial responsibilities of the Peet Group and all property syndicates. Prior to his appointment to the Company, he worked with accounting firm Coopers & Lybrand (now PricewaterhouseCoopers).

11 INTERESTS IN THE SHARES, OPTIONS AND PERFORMANCE RIGHTS OF THE COMPANY

DIRECTOR	INTEREST IN ORDINARY SHARES At 30 June 2009	INTEREST IN OPTIONS & PERFORMANCE RIGHTS At 30 June 2009	INTEREST IN ORDINARY SHARES At the date of this report	INTEREST IN OPTIONS & PERFORMANCE RIGHTS At the date of this report
AW Lennon ¹	78,548,323	-	78,548,323	-
WD Hemsley	20,663,600	-	20,663,600	-
SF Higgs	800,000	-	800,000	-
GW Sinclair	79,000	-	79,000	-
BD Gore	-	2,790,000	-	2,790,000
AJ Lennon ¹	829,393	435,000	829,393	435,000

¹ AW Lennon holds 13,931 shares in his own name, and 34,392 shares as trustee for the Trofie Superfund. The remaining 78,500,000 is held in the name of Scorpio Nominees Pty Ltd as trustee for the Gwenton Trust. AW Lennon is a director and shareholder of Scorpio Nominees Pty Ltd. AW Lennon and AJ Lennon are beneficiaries of the Gwenton Trust, which is a discretionary family trust.

12 DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

DIRECTOR	BOARD OF DIRECTORS		AUDIT & RISK MANAGEMENT COMMITTEE		REMUNERATION COMMITTEE	
	Held	Attended	Held	Attended	Held	Attended
AW Lennon	13	13	5	5	3	3
BD Gore	13	13	-	-	-	-
WD Hemsley	13	12	-	-	-	-
SF Higgs	13	13	5	5	3	3
GW Sinclair	13	13	5	5	3	3
AJ Lennon	13	13	-	-	-	-

13 RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Directors are elected at the Annual General Meeting (AGM) of the Company. Retirement will occur on a rotational basis so that one third of the directors, but not less than two, shall retire at each AGM. The directors may also appoint a director to fill a casual vacancy on the Board or in addition to the existing directors, who will then hold office until the next AGM. No director who is not the Managing Director, may hold office without re-election beyond the third AGM following the meeting at which the director was last elected or re-elected.

At this year's AGM both GW Sinclair and AJ Lennon will retire by rotation and offer themselves for re-election. The balance of your Board of Directors recommends their re-election.

14 REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

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

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

14 REMUNERATION REPORT (CONTINUED)

Principles used to determine the nature and amount of remuneration (continued)

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation through the following features:

Alignment to shareholders' interests:

- has earnings as a core component of plan design;
- focuses the executive on key financial and non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short (STI) and long-term incentives (LTI). As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

Non-executive directors' fees

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board considers, as appropriate, the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options. Subject to the rules of the relevant share plan, non-executive directors may opt each year to receive a percentage of their remuneration in Peet Limited shares, which would be acquired on market. Shareholders approved this arrangement in June 2004.

The current base remuneration was last reviewed with effect from 1 July 2006. The Chairman's and non-executive directors' remuneration is inclusive of committee fees and for their membership on any subsidiary Boards. Non-executive directors' fees, including the Chairman's, are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$600,000.

The non-executive directors do not receive any form of retirement allowance.

Executive directors' pay

The executive directors' pay and reward framework has four components:

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in the Peet Limited Employee Share Option Plan (ESOP) and the Peet Limited Performance Rights Plan (PRP); and
- other remuneration such as superannuation.

The combination of these comprises the directors' total remuneration.

Base pay

Executive directors' base pay is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non financial benefits.

Executive directors are offered a competitive base pay that comprises the fixed component of pay and rewards. As and when considered appropriate, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executive directors is reviewed annually to ensure the directors' pay is competitive with the market.

14 REMUNERATION REPORT (CONTINUED)

Principles used to determine the nature and amount of remuneration (continued)

Short-Term Incentives (STI)

Each executive director has a target STI opportunity depending on the accountabilities of the role and impact on the Group's performance. The maximum target bonus opportunity is 100% of the total base salary for the Managing Director and Chief Executive Officer and is 75% of total base salary for the National Business Development Director.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the years ended 30 June 2008 and 2009, the KPIs linked to STI plans were based on group, individual business and personal objectives. The KPIs required performance in achieving specific earnings and operational targets, taking into account prevailing market conditions.

Other key management personnel remuneration

The key management personnel pay and reward framework has the same four components as the executive directors' pay and reward framework:

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in the Peet Limited Employee Share Option Plan (ESOP) and the Peet Limited Performance Rights Plan (PRP); and
- other remuneration such as superannuation.

The combination of these comprises the key management personnell's total remuneration.

Base pay

The base pay for key management personnel is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non financial benefits.

Key management personnel are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for key management personnel is reviewed annually to ensure that their pay is competitive with the market. Key management personnel pay is also reviewed on promotion.

Short-Term Incentives (STI)

Bonuses may be awarded to key management personnel at the discretion of the remuneration committee in acknowledgement of exceptional performance.

Details of remuneration

Details of the remuneration of each director and the other key management personnel of the Group, as defined in AASB 124 Related Party Disclosures, are set out in the following tables.

Other key management personnel

The other key management personnel of the Company and the Group include the executive directors and the following executives who have authority and responsibility for planning, directing and controlling the activities of the Group. This also includes the five highest paid executives of the Group as required to be disclosed under the *Corporations Act 2001*.

Name	Position
B Gore	Managing Director and Chief Executive Officer (appointed 6 August 2007)
A Lennon	National Business Development Director
D Cooper	Chief Operating Officer (appointed 4 February 2008)
M Pisano	Chief Financial Officer (appointed 7 January 2008)
P Dumas	Head of Funds Management (appointed 4 February 2008)
D Scafetta	Company Secretary

14 REMUNERATION REPORT (CONTINUED)

Details of remuneration (continued)

Note		SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS			Total	
		Cash salary and fees ¹	Bonus ²	Other ³	Superannuation	Shares / Options ⁴	Long Service Leave	Termination Benefits		
		\$	\$	\$	\$	\$	\$	\$	\$	
Directors										
	AW Lennon	2009	167,474	-	-	12,371	-	-	-	179,845
		2008	165,000	-	-	14,850	-	-	-	179,850
	WD Hemsley	2009	75,000	-	-	6,750	-	-	-	81,750
5,6		2008	107,394	-	1,538	104,678	-	97,328	-	310,938
	SF Higgs	2009	75,000	-	-	6,750	-	-	-	81,750
		2008	75,000	-	-	6,750	-	-	-	81,750
	GW Sinclair	2009	75,000	-	-	6,750	-	-	-	81,750
		2008	75,000	-	-	6,750	-	-	-	81,750
	BD Gore	6 2009	661,255	125,000	-	13,745	566,096	-	-	1,366,096
5,6		2008	504,144	250,000	-	13,163	345,452	-	-	1,112,759
	AJ Lennon	6 2009	354,988	-	13,000	45,915	7,768	-	-	421,671
6		2008	324,269	192,500	13,000	12,731	-	-	-	542,500
	Total	2009	1,408,717	125,000	13,000	92,281	573,864	-	-	2,212,862
		2008	1,250,807	442,500	14,538	158,922	345,452	97,328	-	2,309,547
Other Key Management Personnel										
	D Cooper	6 2009	321,101	22,936	-	17,963	7,015	-	-	369,015
		9 2008	121,873	25,000	-	5,050	-	-	-	151,923
	M Pisano	6 2009	281,267	20,000	-	13,745	5,127	-	-	320,139
		9 2008	127,787	20,000	-	11,047	-	-	-	158,834
	P Dumas	6 2009	302,752	-	-	27,248	5,908	-	-	335,908
		9 2008	116,443	-	-	10,480	-	-	-	126,923
	D Scafetta	2009	186,255	-	-	13,818	3,505	-	-	203,578
		2008	166,871	11,475	-	13,129	716	-	-	192,191
	N Hinchcliff	7 2009	-	-	-	-	-	-	-	-
		6 2008	192,364	15,700	-	22,293	358	-	-	230,715
	P Lynch	7 2009	-	-	-	-	-	-	-	-
		2008	189,063	-	-	17,016	430	-	-	206,509
	S Kenney	7 2009	-	-	-	-	-	-	-	-
		8 2008	168,901	3,700	-	13,129	29,067	-	-	214,797
	L McGill	7 2009	-	-	-	-	-	-	-	-
		6,10 2008	163,250	-	-	16,137	3,458	-	64,381	247,226
	D Mulder	7 2009	-	-	-	-	-	-	-	-
		10 2008	77,629	-	-	8,307	3,458	-	16,376	105,770
	Total	2009	1,091,375	42,936	-	72,774	21,555	-	-	1,228,640
		2008	1,324,181	75,875	-	116,588	37,487	-	80,757	1,634,888

1 Cash salary and fees includes accrued annual leave liability paid out on retirement or resignation.

2 All cash bonuses are earned in the financial year to which they relate. The bonus of \$125,000 paid to Mr Gore represents a discretionary bonus approved by the Board in respect to his performance during the 2008 financial year.

3 Other includes motor vehicle costs and car-parking and are inclusive of related fringe benefits tax.

4 Options and Performance Rights granted includes the executive and employee share option plan as disclosed in note 36 to the financial statements.

The value placed on Options and Performance Rights in the table above is based on the valuation at the date of grant using a Black-Scholes model (options) or Binomial model (performance rights), pro-rated over the period from grant date to vesting date.

5 Mr WD Hemsley resigned as Managing Director and Chief Executive Officer on 5 August 2007 and remained as a non-executive director. Mr BD Gore was appointed as Managing Director and Chief Executive Officer on 6 August 2007.

6 Denotes one of the five highest paid executives of the Group and Company, as required to be disclosed under the *Corporations Act 2001*.

7 These individuals are no longer key management personnel or have left the Group.

8 Share-based payments include \$20,000 of Peet Limited shares acquired on market.

9 Key Management Personnel employed part way through the financial year.

10 Remuneration for Mr L McGill and Mr D Mulder are up to their dates of resignation being 31 May 2008 and 14 December 2007, respectively.

14 REMUNERATION REPORT (CONTINUED)

Details of remuneration (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	FIXED REMUNERATION		AT RISK-STI		AT RISK-LTI	
	2009	2008	2009	2008	2009	2008
Directors						
AW Lennon	100%	100%	-	-	-	-
WD Hemsley	100%	100%	-	-	-	-
SF Higgs	100%	100%	-	-	-	-
GW Sinclair	100%	100%	-	-	-	-
BD Gore ¹	50%	47%	9%	22%	41%	31%
AJ Lennon	98%	65%	-	35%	2%	-
Other Key Management Personnel						
D Cooper	92%	84%	6%	16%	2%	-
M Pisano	92%	87%	6%	13%	2%	-
P Dumas	98%	100%	-	-	2%	-
D Scafetta	98%	94%	-	6%	2%	-
N Hinchcliff	-	93%	-	7%	-	-
P Lynch	-	100%	-	-	-	-
S Kenney	-	85%	-	2%	-	13%
L McGill	-	99%	-	-	-	1%
D Mulder	-	97%	-	-	-	3%

¹ The 'At Risk-STI' for Mr Gore is in respect to the discretionary bonus approved by the Board in respect to his performance during the 2008 financial year.

Service agreements

Remuneration and other terms of employment for the Managing Director and Chief Executive Officer are formalised in a service agreement. The major provisions of the agreement are set out below.

BD Gore, Managing Director and Chief Executive Officer

- Term of Agreement – 4 years commencing 6 August 2007;
- Base salary, inclusive of superannuation to be reviewed annually by the remuneration committee and for the year ended 30 June 2009 was \$675,000;
- Short-term incentive payment of up to 100% of the base salary with the actual payment determined by reference to key performance indicators;
- Long-term incentive payment by way of the granting of 1,200,000 options issued in accordance with the Peet Employee Share Option Plan and approved by shareholders at the 2007 AGM. In addition an interest free loan to pay any taxation liability, which is solely referable to the grant of the options; and
- The service contract may be terminated by Peet at any time after a period of 2 years from the commencement date, by Peet giving not less than 6 month's notice in writing. Payment may be made in lieu of notice. If the service contract is terminated prior to the expiry of the third year of the term due to the relocation of Peet's head office or material change to Mr Gore's employment status, he is entitled to a payment equal to 150% of his fixed annual remuneration.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation

Options over shares in Peet Limited are granted under the Peet Employee Share Option Plan (ESOP) which was approved by the Board during the 2004 financial year and the Peet Performance Rights Plan (PRP) which was approved by shareholders at the 2008 AGM. Employees of any Peet Group company (including Executive Directors) will be eligible to participate in the ESOP and/or PRP at the discretion of the Board.

Invitations to apply for options and/or performance rights

Eligible employees, at the discretion of the Board, may be invited to apply for options and/or performance rights on terms and conditions to be determined by the Board including as to:

- the method of calculation of the exercise price of each option;
- the number of options and/or performance rights being offered and the maximum number of shares over which each option and/or performance right is granted;
- the period or periods during which any of the options and/or performance rights may be exercised;
- the dates and times when the options and/or performance rights lapse;
- the date and time by which the application for options and/or performance rights must be received by Peet; and
- any applicable conditions which must be satisfied or circumstances which must exist before the options and/or performance rights may be exercised.

Eligible employees may apply for part of the options and/or performance rights offered to them, but only in specified multiples.

Consideration

Unless the Board determines otherwise, no payment will be required for a grant of options and/or performance rights under the ESOP and/or PRP.

Exercise conditions

Generally, as a pre-condition to exercise, any exercise conditions in respect of an option and/or performance right must be satisfied. However, the Board has the discretion to enable an option and/or performance right holder to exercise options and/or performance rights where the exercise conditions have not been met, including, for example, where a court orders a meeting to be held in relation to a proposed compromise or arrangement in respect of the Company, or a resolution is passed or an order is made for winding up the Company.

Options granted under the ESOP and performance rights granted under the PRP carry no dividend or voting rights.

Lapse of options and/or performance rights

Unexercised options and/or performance rights will lapse upon the earlier to occur of a variety of events specified in the rules of the ESOP and PRP, including, on the date or in circumstances specified by the Board in the invitation, failure to meet the options' or performance rights' exercise conditions in the prescribed period or on a specified anniversary date of grant of the options or performance rights, as determined by the Board.

Share options and performance rights granted to directors

18 June 2004

On 18 June 2004, options under the Company's ESOP were granted to WD Hemsley and AJ Lennon. Each Director was granted 600,000 options convertible to ordinary shares on a 1:1 basis at an exercise price of \$1.20 per share. The vesting conditions of these options have been met and were exercised during the year ended 30 June 2009.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

The exercise conditions in respect of the options granted to WD Hemsley and AJ Lennon were based on a blended performance hurdle being achieved combining external and internal performance measures calculated at the end of the performance period, being 18 June 2007.

The external hurdle was based on total shareholder return (TSR) as measured against other companies in the S&P/ASX Small Ordinaries Index. The TSR hurdle related to 50% of the options or 300,000 options. TSR is, broadly, a measure of the return to shareholders provided by share price appreciation, plus reinvested dividends, expressed as a percentage of investment.

The TSR hurdle was tested at the end of the performance period (three years from grant) by calculating the TSR performance of each Company in the selected benchmark group. The performance of each Company was then ranked in the group using percentiles. Peet Limited's TSR performance was then calculated at the end of the performance period and compared to the percentile rankings.

The number of options that vested and became exercisable depended on the Company's TSR ranking against the benchmark group as per the following table:

COMPANY'S PERFORMANCE (TSR PERCENTILE RANKING)	PERCENTAGE OF OPTIONS VESTING
At or below the 50th percentile	0%
At the 51st percentile	50%
Between the 51st percentile and 75th percentiles	An additional 2% of options will vest for every percentile increase in TSR ranking.
75th percentile or above	100%

The internal hurdle was based on earnings per share (EPS), with a target level expressed as an average compound per annum growth over the three year vesting period, and related to the remaining options, (i.e. 300,000 options). The EPS hurdle operated as follows:

AVERAGE COMPOUND GROWTH IN EPS OVER A THREE-YEAR PERFORMANCE PERIOD	PROPORTION OF OPTIONS THAT MAY BE ELIGIBLE TO VEST
Less than 7% per annum	None
7% per annum	50%
9% per annum	75%
11% per annum	100%

In relation to the options granted to WD Hemsley and AJ Lennon, the TSR and EPS hurdles were calculated at the end of the three year performance period. Both the internal and external hurdles were met with 100% of the options vesting during the year ended 30 June 2008 and were exercised during the year ended 30 June 2009.

6 August 2007

On 6 August 2007, 1,200,000 options were granted to BD Gore under the Company's ESOP and approved by the shareholders at the 2007 AGM. The options are convertible to ordinary shares on a 1:1 basis at an exercise price of \$4.10 per share after the fourth anniversary of the grant date.

The exercise condition in respect of options granted to BD Gore on 6 August 2007 is that he remains employed as Managing Director for a period of four years. His entitlement to the options reduces on early termination, subject to the terms set out in his Service Agreement.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

18 December 2008

On 18 December 2008 and following shareholder approval, 1,300,000 options and 120,000 performance rights were granted to BD Gore and 400,000 options and 35,000 performance rights were granted to AJ Lennon under the Company's ESOP and PRP, respectively.

The terms and conditions of the options and performance rights can be summarised as follows:

SECURITY	VESTING TERM	EXPIRY TERM	EXERCISE PRICE	VESTING CONDITIONS
Option	4 years	6 years	\$2.50	EPS Growth (refer below)
Performance right	4 years	6 years	\$0.00	EPS Growth (refer below)

The options and performance rights are convertible to ordinary shares on a 1:1 basis. The vesting condition is based on earnings per share (EPS), with a target level expressed as an average per annum growth over the four year vesting period, with the base year being 30 June 2008. The EPS hurdle operates as follows:

PERFORMANCE LEVEL	AVERAGE 4-YEAR EPS GROWTH	PROPORTION OF OPTIONS AND PERFORMANCE RIGHTS THAT MAY BE ELIGIBLE TO VEST
Less than the threshold	Peet's average 4-year EPS Growth is less than 5% per annum	0%
Threshold	Peet's average 4-year EPS Growth is 5% per annum	50%
Threshold- maximum	Peet's average 4-year EPS Growth is between 5% to 8% per annum	Pro rata between 50% and 100% (i.e., for each 1% increase above 5% EPS Growth, an additional 16.667% of the maximum performance rights will vest)
Maximum	Peet's average 4-year EPS Growth is above 8% per annum	100%

Share options and performance rights granted to employees

The ESOP and PRP are designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plans, participants are granted options and/or performance rights which only vest if the employees are still employed by the Group at the end of the vesting period and any performance hurdles set have been met. Participation in the plans is at the Board's discretion and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits.

During the financial year, there were 1,230,000 options and 110,000 performance rights granted to key management personnel under the Company's ESOP and PRP, respectively, other than those granted to BD Gore and AJ Lennon and approved by shareholders at the 2008 AGM.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Shares under option and performance rights

Unissued ordinary shares of the Company under option and performance rights amounted to 4,815,000 at the date of this report. The details of the options are as follows:

NO. OF OPTIONS & PERFORMANCE RIGHTS	EXERCISE PRICE	VALUE PER OPTION & PERFORMANCE RIGHTS AT GRANT DATE	GRANT DATE	VESTING AND EXERCISE DATE	EXPIRY DATE
Options					
20,000	\$1.71	\$0.23	17 Aug 2005	17 Aug 2008	17 Aug 2010
230,000	\$2.04	\$0.22	1 Sep 2005	1 Sep 2008	1 Sep 2010
100,000	\$2.81	\$0.57	8 Feb 2006	8 Feb 2009	8 Feb 2011
20,000	\$3.09	\$0.68	2 May 2006	2 May 2009	2 May 2011
50,000	\$3.42	\$0.78	24 May 2006	24 May 2009	24 May 2011
1,200,000	\$4.10	\$1.12	30 Nov 2007	30 Nov 2011	30 Nov 2013
2,930,000	\$2.50	\$0.07	18 Dec 2008	18 Dec 2012	18 Dec 2014
4,550,000					
Performance rights					
265,000	\$0.00	\$1.08	18 Dec 2008	18 Dec 2012	18 Dec 2014
265,000					
4,815,000					

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Option and performance rights holdings

The number of options and performance rights over unissued ordinary shares in the Company held during the financial year by each director of the Company and each of the key management personnel of the consolidated entity, including their personally-related entities, are set out below. When exercisable, each option and performance right is convertible into one ordinary share of Peet Limited. Further information on the options and performance rights is set out in note 36 to the financial statements.

		BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Directors							
AW Lennon	2009	-	-	-	-	-	-
	2008	-	-	-	-	-	-
WD Hemsley	2009	600,000	-	(600,000)	-	-	-
	2008	600,000	-	-	-	600,000	600,000
SF Higgs	2009	-	-	-	-	-	-
	2008	-	-	-	-	-	-
GW Sinclair	2009	-	-	-	-	-	-
	2008	-	-	-	-	-	-
BD Gore	2009	1,370,000	1,420,000	-	-	2,790,000	170,000
	2008	170,000	1,200,000	-	-	1,370,000	-
AJ Lennon	2009	600,000	435,000	(600,000)	-	435,000	-
	2008	600,000	-	-	-	600,000	600,000
Other key management personnel							
D Cooper	2009	-	435,000	-	-	435,000	-
	2008	-	-	-	-	-	-
M Pisano	2009	-	325,000	-	-	325,000	-
	2008	-	-	-	-	-	-
P Dumas	2009	-	360,000	-	-	360,000	-
	2008	-	-	-	-	-	-
D Scafetta	2009	-	220,000	-	-	220,000	-
	2008	200,000	-	(200,000)	-	-	-
N Hinchcliff	2009	-	-	-	-	-	-
	2008	100,000	-	(100,000)	-	-	-
P Lynch	2009	-	-	-	-	-	-
	2008	120,000	-	(120,000)	-	-	-
S Kenney	2009	-	-	-	-	-	-
	2008	70,000	-	-	-	70,000	-
L McGill	2009	-	-	-	-	-	-
	2008	130,000	-	(100,000)	-	30,000	-
D Mulder	2009	-	-	-	-	-	-
	2008	130,000	-	(100,000)	(30,000)	-	-

During the financial year 1,200,000 options were exercised by directors or other key management personnel.

14 REMUNERATION REPORT (CONTINUED)

Share-based compensation (continued)

Shares provided on exercise of options

Details of ordinary shares in the company issued as a result of the exercise of options to each director and key management person are set out below:

NAME	DATE OF EXERCISE OF OPTIONS	AMOUNTS PAID PER ORDINARY SHARE ON THE EXERCISE OF OPTIONS AT DATE OF EXERCISE		NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	
		2009 \$	2008 \$	2009	2008
Directors					
WD Hemsley	15 June 2009	1.20	-	600,000	-
AJ Lennon	15 June 2009	1.20	-	600,000	-
Other key management personnel					
D Scafetta	30 August 2007	-	1.20	-	200,000
N Hinchcliff	22 August 2007	-	1.20	-	100,000
P Lynch	4 September 2007	-	1.20	-	120,000
L McGill	28 August 2007	-	1.20	-	100,000
D Mulder	7 September 2007	-	1.20	-	100,000

Additional information

Performance of Peet Limited

The overall level of executive compensation takes into account the performance of the Group over the past year. Comparison to the previous 5 years performance is tabulated below:

YEAR	NET PROFIT AFTER TAX (NPAT)	NPAT GROWTH	BASIC EPS Cents per share	BASIC EPS GROWTH	DIVIDENDS PAID Cents per share	DIVIDENDS PAID GROWTH	AT RISK STI	AT RISK STI GROWTH
	\$000	%		Growth %		Growth %	\$	Growth %
2004	28,734	-	14.4	-	10.00	-	471,587	-
2005	29,603	3.00%	14.8	2.80%	14.50	45.00%	523,279	11.00%
2006	36,834	24.40%	18.4	24.30%	17.00	17.20%	616,500	17.80%
2007	45,518	23.60%	21.4	16.30%	19.50	14.70%	635,721	3.10%
2008	47,912	5.30%	21.6	0.90%	19.75	1.30%	518,375	-18.50%
2009	12,019	-74.90%	5.1	-76.40%	7.00	-64.60%	167,936	-67.60%
Average over the past 5 years		-3.70%		-6.40%		2.70%		-10.80%

Details of remuneration: cash bonuses, options and performance rights

For each cash bonus, grant of options and performance rights included in the tables within the remuneration report, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses forfeited is payable in future years. Subject to the rules of the Peet ESOP and PRP, no options or performance rights will vest if the conditions are not satisfied, hence the minimum value of the option and performance rights yet to vest is nil. The maximum value of the options and performance rights yet to vest has been determined as the amount of the grant date fair value of the options and performance rights that is yet to be expensed.

14 REMUNERATION REPORT (CONTINUED)

Additional information (continued)

	CASH BONUS		OPTIONS & PERFORMANCE RIGHTS					
	PAID %	FORFEITED %	FINANCIAL YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	MINIMUM TOTAL VALUE OF GRANT YET TO VEST \$	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST \$
Directors								
AW Lennon	-	-	-	-	-	-	-	-
WD Hemsley	-	-	-	-	-	-	-	-
SF Higgs	-	-	-	-	-	-	-	-
GW Sinclair	-	-	-	-	-	-	-	-
BD Gore ¹	19%	81%	2008	-	-	2012	nil	199,224
			2009	-	-	2013	nil	120,269
AJ Lennon	-	-	2009	-	-	2013	nil	36,184
Other key management personnel								
D Cooper	12%	88%	2009	-	-	2013	nil	32,761
M Pisano	22%	78%	2009	-	-	2013	nil	24,154
P Dumas	-	-	2009	-	-	2013	nil	27,399
D Scafetta	-	-	2009	-	-	2013	nil	15,435
N Hinchcliff	-	-	-	-	-	-	-	-
P Lynch	-	-	-	-	-	-	-	-
S Kenney	-	-	-	-	-	-	-	-
L McGill	-	-	-	-	-	-	-	-
D Mulder	-	-	-	-	-	-	-	-

¹ The cash bonus refers to the bonus of \$125,000 paid to Mr Gore at the Board's discretion in respect to his performance during the 2008 financial year.

14 REMUNERATION REPORT (CONTINUED)

Additional information (continued)

Further details relating to options and performance rights are set out below.

	REMUNERATION CONSISTING OF OPTIONS & PERFORMANCE RIGHTS ¹	VALUE AT GRANT DATE ²	VALUE AT EXERCISE DATE ³	VALUE AT LAPSE DATE ⁴	TOTAL
		\$	\$	\$	\$
Non-executive Directors					
WD Hemsley	-	-	288,000	-	288,000
Executive Directors					
BD Gore	41%	217,992	-	-	217,992
AJ Lennon	2%	64,998	288,000	-	352,998
Other key management personnel					
D Cooper	2%	64,998	-	-	64,998
M Pisano	2%	47,398	-	-	47,398
P Dumas	2%	54,838	-	-	54,838
D Scafetta	2%	35,199	-	-	35,199
N Hinchcliff	-	-	-	-	-
P Lynch	-	-	-	-	-
S Kenney	-	-	-	-	-
L McGill	-	-	-	-	-
D Mulder	-	-	-	-	-

1 The percentage of the value of remuneration consisting of options and performance rights, based on the value of options and performance rights expensed during the current year.

2 The value at grant date calculated in accordance with AASB 2 Share-based payment of options and performance rights granted during the year as part of remuneration.

3 The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

4 The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Loans to directors and other key management personnel

There were no loans made to any directors or any of the key management personnel of the Group, or their personally-related entities, during the financial year.

15 INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of directors' and officers' liability that indemnifies officers of the Company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as such. The directors have not included more specific details of the nature of the liabilities covered or the amount of the premium paid in respect of directors' and officers' liability, as such disclosure is prohibited under the terms of the contract.

The Company has not during, or since the beginning of the financial year, in respect of any person who is or has been an auditor of the Company, paid, or agreed to pay, a premium in respect of a contract, that insures against any liability, including liability for costs or expenses to defend legal proceedings.

16 NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are considered important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below and in note 25 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity, its related practices and non-related audit firms:

	CONSOLIDATED	
	2009	2008
	\$	\$
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	193,950	166,538
Non-PricewaterhouseCoopers audit firms	23,250	13,585
Total remuneration for audit services	217,200	180,123
Other assurance services		
PricewaterhouseCoopers Australian firm	103,600	3,440
Non-PricewaterhouseCoopers audit firms	27,768	7,725
Total remuneration for other assurance services	131,368	11,165
Total remuneration for audit and other assurance services	348,568	191,288
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company income tax returns	150,185	97,141
Non-PricewaterhouseCoopers tax firms	8,652	23,505
Total remuneration for other taxation services	158,837	120,646

17 AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

18 AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* is set out on page 48.

19 ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed for and on behalf of the Board in accordance with a resolution of the Board of Directors.



Brendan Gore
Managing Director
Perth, Western Australia

29th September 2009

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Auditor's Independence Declaration

As lead auditor for the audit of Peet Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



David J Smith
Partner
PricewaterhouseCoopers

Perth
29 September 2009