2010 FINANCIAL REPORT

ABN 47 009 259 081

CONTENTS

This report covers Cedar Woods Properties Limited, being the consolidated entity consisting of Cedar Woods Properties Limited and its controlled entities.

Cedar Woods Properties Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the consolidated entity's operations and its principal activities is included in the review of operations in the directors' report.

The financial report was authorised for issue by the directors on 23 August 2010. The directors have the power to amend and reissue the financial statements.

Cedar Woods

CORPORATE DIRECTORY

Directors

William George Hames, BArch (Hons) MCU (Harvard) LFRAIA, MPIA, FAPI (Econ) – Chairman
Robert Stanley Brown, MAICD, AIFS – Deputy Chairman
Ronald Packer, BCom (UWA), AAPI, FAICD, Solicitor Supreme Court of England & Wales
Paul Stephen Sadleir, BE, MBA, AAPI, FAICD, FRICS – Managing Director
Timothy Robert Brown, BA, LLB, M.Fin, Post Grad Dip (Phil) (Alternate for R S Brown)

Company Secretary

Paul Samuel Freedman, BSc, CA, GAICD

Registered office and principal place of business

Level 4, 66 Kings Park Road
WEST PERTH WA 6005
Postal address: P.O. Box 788 West Perth WA 6872
Phone: (08) 9480 1500 Fax: (08) 9480 1599
Email: email@cedarwoods.com.au
Website: www.cedarwoods.com.au

Share registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Auditor

PricewaterhouseCoopers
QV1
250 St Georges Terrace
PERTH WA 6000

Securities exchange listing

Cedar Woods Properties Limited shares are listed on the Australian Securities Exchange Limited

ASX code

CWP

Annual general meeting

Venue: Kings Park Function Centre
Time: 10.00am
Date: 5 November 2010

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Cedar Woods Properties Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

1. Directors

The following persons were directors of Cedar Woods Properties Limited during the whole of the financial year and up to the date of this report:

William George Hames (Chairman)

Robert Stanley Brown (Deputy Chairman)

Ronald Packer

Paul Stephen Sadleir (Managing Director)

Timothy Robert Brown (Alternate for R S Brown)

2. Principal activities

The principal continuing activities of the consolidated entity in the course of the year ended 30 June 2010 were that of property investor and developer and no significant change in the nature of those activities took place during the year.

3. Dividends - Cedar Woods Properties Limited

Dividends paid to members during the financial year were as follows:

	2010	2010
	$'000	$'000
Final fully franked ordinary dividend for the year ended 30 June 2009 of 7.0 cents (2008 - 10.0 cents) per share paid on 30 October 2009 (2008 – 31 October 2008)	4,076	5,514
Interim fully franked ordinary dividend for the year ended 30 June 2010 of 5.0 cents per share paid on 30 April 2010 (2009 - $Nil)	3,003	-
	7,079	5,514

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $4,845,174 (8 cents per share) to be paid on 29 October 2010.

4. Consolidated result

The result of the consolidated entity for the year ended 30 June 2010 was as follows:

	2010	2010
	$'000	$'000
Revenue	108,415	107,076
Profit before income tax expense	24,735	13,520
Income tax expense	(7,494)	(4,257)
Net profit attributable to members of Cedar Woods Properties Limited	**17,241**	**9,263**
	Cents	**Cents**
Basic and diluted earnings per share	**29.0**	**16.2**

5. Review of operations

The company continued to develop and sell lots at its residential estates in Western Australia. In addition the company sold a number of apartments. Settlements commenced at the Emerald Park project at Wellard, WA which the company manages. This land is owned by Cedar Woods Wellard Limited of which Cedar Woods Properties Limited now owns 32.5% (2009: 25%).

The company continued to realise revenue from its residential estates in Melbourne and commenced a new townhouse project at Banbury Village, Footscray.

Plans and approvals were progressed for a number of developments anticipated to commence in future years.

A full review of operations may be found in the company's annual report.

6. Business strategies and prospects for future financial years

The consolidated entity will continue property development operations in Western Australia and in Victoria. It is planned to make further additions to the property portfolio and also introduce additional property syndicates and other new business structures. The consolidated entity is well positioned to achieve growth in future years.

7. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

8. Matters subsequent to the end of the financial year

On 6 July 2010 the company completed the acquisition of a parcel of land at Hazelmere, WA at a cost of $18 million, of which $1.8 million was paid by way of deposit prior to 30 June 2010.

New Corporate Finance Facility

On 19 August 2010 the company executed facility documents for a new $110,000,000, 3 year finance facility with ANZ Bank. Commencement of the new facility is anticipated on 31 August 2010 subject to satisfaction of remaining conditions precedent.

The new facility will provide funding for the group's existing operations, ongoing development and future acquisitions. It has been set up as a club facility with a security trustee, providing the flexibility for other banks to enter, should the group's requirements grow and more than one lender be required. The group will be required to observe the usual covenants for a facility of this kind including interest cover and loan to valuation ratios. The covenants are similar to the covenants in the group's existing corporate facility with Suncorp, which it has been operating since 2001 and is available until September 2011, and will be repaid when the new ANZ facility commences.

Other than the above, no matters or circumstances have arisen since 30 June 2010 that have significantly affected or may significantly affect:

(a) the consolidated entity's operations in future financial years;

(b) the results of those operations in future financial years; or

(c) the consolidated entity's state of affairs in future financial years.

9. Likely developments and expected results of operations

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

10. Environmental regulation

To the best of the directors' knowledge the company complies with the requirements of environmental legislation in respect of its developments, and obtains the planning approvals required prior to clearing or development of land under the laws of the relevant states. There have been no instances of non-compliance during the year and up to the date of this report.

11. Information on directors

Mr William G Hames, B Arch (Hons) MCU (Harvard) LFRAIA, MPIA, FAPI (Econ)

- Chairman of the board of directors, non-executive director
- Member of the Nominations Committee

Mr Hames is a co-founder of Cedar Woods Properties Limited. He is an architect and town planner by profession, and received a Masters Degree in City Planning and Urban Design from the Harvard Graduate School of Design, at Harvard University in Boston. He worked in the US property development market before returning to Australia in 1975 and establishing Hames Sharley Australia, an architectural and town planning consulting company. Mr Hames brings substantial property experience to the board upon which he has served as a director for twenty years.

Other current listed company directorships and former listed company directorships in the last three years:

None.

Mr Robert S Brown, MAICD, AIFS

- Deputy Chairman of the board of directors, non-executive director
- Member of the Audit and Risk Management Committee
- Member of the Human Resources and Remuneration Committee
- Member of the Nominations Committee

Mr Brown is Executive Chairman of Westland Group Holdings Pty Ltd, with responsibilities in mining, agribusiness, biotechnology and venture capital. He is a past president of the Federation of Building Societies of WA and has participated in and chaired various Western Australian government advisory committees related to the housing industry. Mr Brown brings to the board his diversified experience as a director of these companies and other listed entities and has served as a director of Cedar Woods Properties Limited for twenty-two years.

Other current listed company directorships and former listed company directorships in the last three years:

None.

Mr Ronald Packer BCom (UWA), AAPI, FAICD, Solicitor Supreme Court of England & Wales

- Non-executive director
- Chairman of the Audit and Risk Management Committee
- Chairman of the Human Resources and Remuneration Committee
- Chairman of the Nominations Committee

Mr Packer is an independent director who brings to the board a wide range of property experience in the public and private arena. He is the former Managing Director of PA Property Management Limited, the responsible entity for the PA Property Trust and is currently the Chairman of Terrace Properties and Investments Pty Ltd. Mr Packer has served as a director for four years and chairs all of the board's committees.

Other current listed company directorships and former listed company directorships in the last three years:

None.

Mr Paul S Sadleir, BE, MBA, AAPI, FAICD, FRICS

- Managing Director, executive director

Mr Sadleir has extensive experience in the property sector and previously was manager of Bunnings Property Management Pty Ltd, the responsible entity for the Bunnings Warehouse Property Trust. Mr Sadleir holds a Masters of Business Administration and Bachelor of Engineering degree from the University of Western Australia. He is also a fellow of the Australian Institute of Company Directors, a fellow of the Royal Institute of Chartered Surveyors and an affiliate of the Australian Property Institute. Mr Sadleir is a councillor of the Royal Australian Air Force Association (WA Division), a not for profit organisation providing retirement and aged care accommodation. Mr Sadleir brings to the company extensive skills in strategic planning, portfolio management, acquisition analysis, equity and finance raising and investor relations management. Mr Sadleir has served as a director for seven years.

Other current listed company directorships and former listed company directorships in the last three years:

None.

Mr Timothy R Brown, BA, LLB, M. Fin, Post Graduate Diploma (Phil)

- Alternate director for Mr Robert S Brown

Mr Brown worked as a director of Westland Group Holdings Pty Ltd, with responsibilities in mining, agribusiness, biotechnology and venture capital. His qualifications include a Bachelor of Laws from Notre Dame Australia and a Masters of Finance from Curtin University. Mr Brown was admitted to the Supreme Court of Western Australia as a barrister and solicitor in 2004.

Other current listed company directorships and former listed company directorships in the last three years:

None.

Company Secretary

The Company Secretary is Mr Paul S Freedman, BSc, CA, GAICD. Mr Freedman was appointed to the position in 1998. He is a member of the Institute of Chartered Accountants in Australia and is a graduate of the Australian Institute of Company Directors. He brings to the company a background of over fifteen years in financial management in the property industry, preceded by employment in senior roles with major accountancy firms.

12. Shares issued on the exercise of options

No share options were in existence during the year and none have been issued up to the date of this report.

13. Directors' interests in shares

Directors' relevant interests in shares of Cedar Woods Properties Limited at the date of this report, as defined by sections 608 and 609 of the *Corporations Act 2001*, are as follows:

Director	Interest in ordinary shares
William G Hames	8,530,624
Robert S Brown*	9,403,943
Ronald Packer	35,088
Paul S Sadleir	818,118
Timothy R Brown*	4,917,525

*R S Brown and T R Brown have a shared interest in 4,917,525 shares.

14. Committees of the board

As at the date of this report Cedar Woods Properties Limited had the following committees of the board:

Audit and Risk Management Committee	Human Resources and Remuneration Committee	Nominations Committee
R Packer (Chairman)	R Packer (Chairman)	R Packer (Chairman)
R S Brown	R S Brown	W G Hames
-	-	R S Brown

15. Meetings of director

The following table sets out the numbers of meetings of the company's directors (including meetings of committees of directors) held during the year ended 30 June 2010, and the numbers of meetings attended by each director:

Board Meetings		Meetings of Committees		
		Audit and Risk Management	Human Resources and Remuneration	Nominations
Number of meetings held:	10	4	3	2
Number of meetings attended by:				
W G Hames	10	*	*	2
R S Brown	9	4	3	2
R Packer	10	4	3	2
P S Sadleir	10	*	*	*
T R Brown	*	*	*	*

* Not a member of this committee

16. Remuneration report

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

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Terms of employment of the Managing Director and other executives

D. Additional information.

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

A. Principles used to determine the nature and amount of remuneration

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

- Competitiveness and reasonableness
- Acceptability to shareholders
- Alignment of executive compensation to company performance
- Transparency
- Capital management.

The company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The framework is aligned to shareholders' interests as follows:

- Has profitability and return on equity as core components of plan design
- Focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price
- Attracts and retains high calibre executives.

The framework is aligned to program participants' interests as follows:

- Rewards capability and experience
- Reflects competitive reward for contribution to growth in shareholder wealth
- Provides a clear structure for earning rewards
- Provides recognition for contribution.

The framework provides a mix of fixed and variable pay, including appropriate incentives. Performance related components are available to certain executives based on the earnings performance of the company measured against the objectives set in the Corporate Plan and achievement of personal objectives established at the start of the year.

Performance related components are awarded each year following the audit of the annual results. These may be adjusted up or down in line with under or over achievement against the target performance levels, at the discretion of the Human Resources and Remuneration Committee.

Non-executive directors

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 from time to time by the Human Resources and Remuneration Committee. The Human Resources and Remuneration Committee periodically obtains the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive or participate in bonus or equity based schemes.

Directors' fees

Non-executive directors' base remuneration was last reviewed with effect from 1 July 2008. Directors' remuneration is inclusive of additional fees paid to directors who chair committees. Fees take into account the memberships of directors on subsidiary boards.

Remuneration of non-executive directors is determined by the board, after receiving recommendations from the Human Resources and Remuneration Committee, within the maximum amount approved by the shareholders from time to time.

Executive pay

The executive pay and reward framework has four components:

- Base pay and benefits
- Short-term performance incentives
- Long-term incentives through participation in the Employee Share Scheme (currently suspended)
- Other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. From time to time external remuneration consultants provide analysis and advice to ensure that base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

Some executives receive benefits including parking and membership of certain professional organisations.

Short-term incentives (STI)

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisational performance. The bonus opportunities for each executive are set annually by the Human Resources and Remuneration Committee.

The Human Resources and Remuneration Committee reviewed staff performances for the 2010 financial year and awarded bonuses reflecting the company's results, which exceeded forecast.

Long-term incentives (LTI)

In previous years, as part of performance related bonuses, certain executives were invited to participate in the Employee Share Scheme. Under the scheme, performance rights, expressed as a number of shares, were granted to these employees as a portion of their overall remuneration package. For details of the operation of the Scheme please refer to note 40 of the financial statements. In 2009 no performance rights were granted, however shares vested in the 2010 year as a result of performance rights granted in respect of the 2007 financial year.

B. Details of remuneration

Details of the remuneration of each director of Cedar Woods Properties Limited and each of the key management personnel of the consolidated entity, including their personally-related entities, are set out in the following tables. Cash bonuses are dependent upon the satisfaction of performance conditions as set out in the section *Short-term incentives* above. All other elements of remuneration in the tables are fixed.

The key management personnel of the company and the group are the directors, whose details appear on pages 4-5 above and the following executive officers, who include the five highest paid executives of the consolidated entity and the company:

Nathan Blackburne – Victorian State Manager

Patrick Archer – Victorian Developments Manager

Paul Freedman – Chief Financial Officer

Ken Haustead – Senior Development Manager

Stuart Duplock – WA State Manager

Directors of Cedar Woods Properties Limited

2010	Short-term Benefits			Post employment	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Total
	$	$	$	$	$
W G Hames	82,569	-	-	7,431	90,000
R S Brown	64,220	-	-	5,780	70,000
R Packer	43,500	-	-	41,500	85,000
P S Sadleir	522,889	170,000	7,791	48,761	749,441
Total	**713,178**	**170,000**	**7,791**	**103,472**	**994,441**

2009	Short-term Benefits			Post employment	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Total
	$	$	$	$	$
W G Hames	82,569	-	-	7,431	90,000
R S Brown	64,220	-	-	5,780	70,000
R Packer	-	-	-	85,000	85,000
P S Sadleir	555,689	78,350	9,859	15,961	659,859
Total	**702,478**	**78,350**	**9,859**	**114,172**	**904,859**

The five highest paid other executives of the consolidated entity including the key management personnel

2010	Short-term Benefits			Post employment	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Total
	$	$	$	$	$
N Blackburne	259,697	38,000	5,785	14,461	317,943
P Freedman	237,479	27,000	1,338	14,461	280,278
P Archer	224,483	27,000	7,762	14,461	273,706
S Duplock *	197,587	25,000	-	12,889	235,476
K Haustead	207,079	18,000	-	14,461	239,540
Total	**1,126,325**	**135,000**	**14,885**	**70,733**	**1,346,943**

* S Duplock commenced 17 August 2009

2009	Short-term Benefits			Post employment	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Total
	$	$	$	$	$
N Blackburne	246,592	19,000	6,129	13,745	285,466
P Freedman	233,255	11,400	1,793	13,745	260,193
B Buckley	156,500	-	5,447	72,400	234,347
P Archer	211,824	14,250	8,186	13,745	248,005
K Haustead	207,795	7,800	-	13,745	229,340
Total	**1,055,966**	**52,450**	**21,555**	**127,380**	**1,257,351**

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

	2010		2009	
Name	Fixed Remuneration %	At risk – STI %	Fixed remuneration %	At risk – STI %
P Sadleir	75	25	88	12
N Blackburne	87	13	93	7
P Freedman	89	11	96	4
K Haustead	91	9	97	3
P Archer	90	10	94	6
S Duplock (2010 only)	88	12	-	-
B Buckley (2009 only)	-	-	100	-

C. Terms of employment for the Managing Director and other executives

The terms of employment for Paul Sadleir provide for an annual base salary inclusive of superannuation and the provision of an annual performance-related cash bonus. Benefits comprise payment of certain professional memberships, provision of car parking and participation, when eligible, in the Cedar Woods' Employee Share Scheme. In addition, Paul Sadleir is entitled to payment of a benefit on termination by the employer following significant restructure or takeover, equal to his total remuneration package for one year.

The terms of employment for the specified executives provide for an annual base salary inclusive of superannuation, the provision of an annual performance-related cash bonus, the payment of certain professional memberships and participation, when eligible, in the Cedar Woods' Employee Share Scheme. B Buckley (2009 only), P Archer and N Blackburne were also provided car parking in addition to their annual base salary.

The remuneration for directors and specified executives is set for each financial year ending 30 June and is reviewed annually by the Human Resources and Remuneration Committee.

D. Additional information

For each cash bonus included in the above tables, the percentage of the available bonus or grant available to the specified executives based on their individual performances and that of the company, that was vested in the financial year, and the percentage that was forfeited because the service and performance criteria were not met in full, is set out below. The bonuses will be paid in FY2011 and no part is payable in future years.

Name	2010 cash bonus vested %	2010 cash bonus forfeited %	2009 cash bonus vested %	2009 cash bonus forfeited %
P Sadleir	90	10	85	15
N Blackburne	95	5	95	5
P Freedman	90	10	95	5
K Haustead	85	15	65	35
P Archer	95	5	95	5
S Duplock (2010 only)	85	15	-	-
B Buckley (2009 only)	-	-	-	-

The overall level of executive rewards takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to performance in the current year. Over the past five years, shareholders have received an average total annual return of 6.0% based on a combination of dividends and increases in the company's share price. This return has been impacted by the global financial crisis, during which time the listed property sector as a whole has experienced a significant reduction in average returns.

17. Retirement, election and continuation in office of directors

Mr Robert Brown retires by rotation at the forthcoming Annual General Meeting and being eligible, will offer himself for re-election.

18. Insurance of officers

During the financial year, Cedar Woods Properties Limited paid a premium in respect of directors' and officers' liability that indemnifies certain officers of the company and its controlled entities. The officers of the company covered by the insurance policy include the directors, W G Hames, R S Brown, R Packer, P S Sadleir and the Company Secretary, P S Freedman. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company and its controlled entities. 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 the policy, as such disclosure is prohibited under the terms of the contract.

19. 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 group are important.

Please refer to note 39 of the financial statements for details of the amounts paid or payable to the auditor for audit and non-audit services during the year.

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 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.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

20. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 forms part of this directors' report and is set out on page 12.

21. 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 directors' report. Amounts in the directors' report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

22. Auditor

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

This report is made in accordance with a resolution of the directors.

P Sadleir

P S Sadleir – Managing Director

Perth, Western Australia

23 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of Cedar Woods Properties Limited for the year ended 30 June 2010, 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 Cedar Woods Properties Limited and the entities it controlled during the period.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
23 August 2010

CORPORATE GOVERNANCE STATEMENT

The board of Cedar Woods Properties Limited is committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

Listed entities are required to disclose the extent to which they have followed the Principles of Good Corporate Governance and Principles and Recommendations (Principles and Recommendations) set by the Australian Securities Exchange Corporate Governance Council during the reporting period. Where the company's procedures are not in compliance with the Principles and Recommendations for part or all of the year, this is referred to below. It is noted that the Principles and Recommendations are not compulsory for listed companies but that an explanation is required where compliance is not achieved.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The board of directors

The board is accountable to shareholders for the performance of the company. The board sets the company's strategic direction and delegates responsibility for the management of the company to the Managing Director. The company's strategic plan is prepared by management and is reviewed annually by the board at a special board meeting.

Board responsibilities

The responsibilities of the board include:

1. setting the company's values and standards of conduct and ensuring these are adhered to in the interests of all stakeholders;
2. approving policies, strategies, budgets, and plans;
3. assessing performance against strategies to monitor both the suitability of those strategies and the performance of management and the board itself;
4. reviewing operating information to understand the company's position, and approving financial and other reporting;
5. identifying areas of significant business risk and ensuring systems and procedures are in place to manage those risks;
6. considering management recommendations on key issues – including acquisitions, funding and significant capital expenditure;
7. ensuring that the company acts legally and responsibly on all matters and that the highest ethical standards are maintained;
8. appointing, terminating and reviewing the performance of the Managing Director;
9. ratifying the appointment and, where appropriate, removal of the Chief Financial Officer and the Company Secretary; and
10. reporting to shareholders.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the board

The board operates in accordance with the broad principles set out in its charter which is available on the company website. The charter details the board's composition and responsibilities.

The charter states:

1. the board should comprise between 3 and 10 directors;
2. the board should comprise directors with a broad range of skills and experience that are relevant to the property development industry so that it has a proper understanding of, and competence to deal with, the current and emerging issues of the business;
3. a majority of the board should be non-executive; and
4. the Chairman is elected by the full board.

At present, having regard to the size of the company and the present composition of the board, the board does not consider it necessary for a majority of the directors, including the Chairman, to be independent, as required by Principles and Recommendations 2.1 and 2.2. However, future appointments to the board and to the position of Chairman will be made having regard to these recommendations.

The company's constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.

Directors' independence

The board has adopted the principles for assessing independence from the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. These state that when determining independence, a director must be non-executive and the board should consider whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company, where substantial shareholder is defined by section 9 of the *Corporations Act*;
- is or has been employed in an executive capacity by the company or group, within three years before commencing to serve on the board;
- within the last three years has been a principal of a material professional advisor or a material consultant to the company or group, or an employee associated with the service provided;
- is a material supplier or customer of the company or group, or an officer of or otherwise associated directly with a material supplier or customer;
- has a material contractual relationship with the company or another group member other than as a director of the company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of $100,000 in any one financial year is considered material for the purposes of contracts or commercial transactions listed above. Purchases of the company's products by directors under normal terms and conditions, and director's fees, shall ordinarily be ignored for the purpose of the materiality test.

Board members

Details of the members of the board, their experience, expertise, qualifications, term of office and independence status are set out in the directors' report starting on page 2 of the financial statements. There are three non-executive directors, one of whom is deemed independent under the principles set out below. There is one executive director who is the Managing Director. In addition there is one non-executive alternate director, although he has not acted during the year.

Chairman and Managing Director

The Chairman is responsible for leading the board, ensuring that board activities are organised and efficiently conducted and for ensuring directors are properly briefed for meetings. The Managing Director is responsible for implementing strategies and policies. The board charter specifies that the Chairman cannot be the Managing Director or a former Managing Director of the company.

The Chairman meets regularly with the Managing Director.

Commitment

The board held 10 board meetings during the year, including a special meeting to consider the Corporate Plan.

In addition, all of the non-executive directors are members of board committees and the number of board committee meetings attended is shown in the directors' report. Prior to appointment, non-executive directors are required to acknowledge that they will have time available to properly discharge their responsibilities to the company. The annual performance assessment of board members also addresses this issue.

Conflict of interests

Should entities connected with the directors have business dealings with the consolidated entity during the year, the directors concerned declare their interests in those dealings and take no part in decisions relating to them. Such business dealings are disclosed in note 37 to the financial statements.

Independent professional advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld.

Performance assessment

The board undertakes an annual self-assessment of its performance and that of its committees. The assessment includes a review of the board charter, board composition, committee structure and functions of the board. Each board committee also undertakes an annual self-assessment of its performance and achievement of committee objectives.

Part of the performance evaluation of the board is to review the independence of directors and ensure directors collectively have the appropriate mix of skills required to maximise their effectiveness and ensure the company is able to meet its goals and objectives. The board is satisfied that it is discharging its obligations and that the company is well positioned to continue to meet its goals and objectives.

Details of policies in relation to the board and senior executive performance assessment are available on the company website www.cedarwoods.com.au

Board committees

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. During the year the following committees were in operation:

- Nominations Committee;
- Human Resources and Remuneration Committee; and
- Audit and Risk Management Committee.

Each committee has its own charter setting out its role and responsibilities, composition, structure and membership requirements. All of the charters are reviewed annually and are available on the company website. All matters determined by committees are submitted to the full board as recommendations for board decisions.

Minutes of committee meetings are distributed to all directors.

Nominations Committee

The Nominations Committee consists of the following non-executive directors:

R Packer (Chairman)

R S Brown

W G Hames

The Chairman of this committee is independent. However, having regard to the size of the company and the present composition of the board, the board does not consider it necessary for this committee to be comprised of a majority of independent directors, as required by Best Practice Recommendation 2.4.

Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The main responsibilities of the committee are:

- assessing the skills required on the board;
- from time to time assessing the extent to which the required skills are represented on the board;
- establishing processes for the identification of candidates for appointment to the board;
- establishing eligibility requirements for candidates for appointment to the board including a policy with respect to other commitments;
- proposing candidates for board vacancies;
- review of board succession plans; and
- implementing processes for the induction of new non-executive directors to the company and processes for continuing education of directors.

When the need for a new director is identified or an existing director is required to stand for re-election, the Nominations Committee reviews the range of skills, experience and expertise on the board, identifies its needs and if required prepares a short list of candidates with appropriate skills and experience. Where necessary, independent search consultants may be engaged.

The full board will make appointments to the board, and these candidates must stand for re-election at the next annual general meeting. Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's Principles and Recommendations.

New directors are provided with a letter of appointment setting out the responsibilities, rights and the terms and conditions of their employment. They are also provided with a copy of the corporate governance framework including the Code of Conduct. A formal induction is held for new non-executive director which covers financial, operational and risk management issues.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The company has developed a statement of values and a Code of Conduct (the Code). The Code is regularly updated to ensure it reflects the high standards of behaviour and professionalism and the practices necessary to maintain the company's integrity. A summary of the main provisions of the Code is available on the company website.

The Code contains details of the company's policy with respect to trading of the company's securities by directors or employees. A summary of the trading policy as it applies to directors is also contained in the board charter which is also available on the company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following non-executive directors:

R Packer (Chairman)

R S Brown

Under Australian Stock Exchange listing rule 12.7 the company is not required to comply with the structure requirements of Audit Committees as it is not included in the S&P ASX 300. Nevertheless, the company has assessed its procedures against the requirements set out in the Principles and Recommendations as they relate to Audit Committees.

The Chairman of this committee is independent. However, having regard to the size of the company and the present composition of the board, the board does not consider it necessary for there to always be at least 3 members of this committee, with a majority of the directors independent, as required by Best Practice Recommendation 4.2. Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The Audit and Risk Management Committee collectively has appropriate financial expertise and a working knowledge of the property industry.

The committee operates in accordance with its charter which is available on the company's website.

The main responsibilities of the committee are to:

- review and report to the board on the annual and half-year report and financial statements and supporting management commentary;
- review the accounting policies of the consolidated entity;
- review the effectiveness of the control environment including risk management, safe practices policies, environmental policies and policies in respect to the disbursement of funds;
- review the adequacy of information provided by management to the board of directors;
- review the compliance with statutory and regulatory requirements;
- review risk management information prepared by management and the annual and half yearly risk management reports;
- administer the appointment and terms of engagement of the external auditor and review the scope and quality of the audit, and the independence and competence of the auditor; and
- report to the board on matters relevant to the committee's roles and responsibilities.

In fulfilling its responsibilities the committee meets with the external auditors at least twice a year, more frequently if necessary. During these meetings the auditors also meet with the committee without the presence of senior management.

The company's auditors have a clear line of direct communication at any time to either the Chairman of the Audit and Risk Management Committee or the Chairman of the board.

The committee has authority, within the scope of its responsibilities, to:

- seek any information it requires from any employee or external party; and
- obtain external legal or other independent professional advice.

The committee reports to the full board and relevant papers and minutes are provided to all directors.

External auditors

The company and Audit and Risk Management Committee policy is to appoint external auditors who demonstrate competence and independence. The performance of the external auditor is reviewed annually. PricewaterhouseCoopers were appointed as the external auditors in 1991. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years. A new engagement partner was introduced for the year ended 30 June 2008.

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in note 39 in the financial statements. It is a legal requirement that the external auditors provide an annual declaration of their independence to the board.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

PRINCIPLE 5 AND 6: MAKE TIMELY AND BALANCED DISCLOSURES AND RESPECT THE RIGHTS OF SHAREHOLDERS

Continuous disclosure and shareholder communication

The company is committed to complying with its continuous disclosure obligations and seeks to provide relevant and timely information to shareholders and investors through ASX releases, written reports and the company's website. The Company Secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX, brokers, shareholders, media and the public.

The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities. Such policies and procedures include mechanisms for ensuring relevant matters are communicated and that the information is released in a timely and balanced manner.

All information disclosed to the ASX is posted on the company's website as soon as possible. When analysts are briefed on aspects of the company's operations the material used in the presentations is first released to the ASX. The company's continuous disclosure policy is available on the company's website.

All shareholders are entitled to receive a copy of the company's annual report and half-year newsletter. In addition the company seeks to provide opportunities for shareholders to participate through electronic means. To facilitate this, all ASX announcements for the preceding 12 months and annual reports for the last three years are available on the company's website. Investors may also register their email address with the company so that they receive email updates on company matters and ASX announcements. Shareholders are encouraged to attend and participate in the annual general meetings of the company.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The board ultimately has responsibility for internal compliance and control. The board has established the Audit and Risk Management Committee as responsible for overseeing and ensuring that internal control systems are in place to monitor and manage risk.

Each half-year, management is required to prepare a report of the current and future risks facing the consolidated entity, and the strategies or controls in place to mitigate those risks. A review is made of the performance of those controls over the half-year, and an assessment made of their effectiveness. Where required, improvements in controls are recommended. This report is reviewed by the Audit and Risk Management Committee and then presented to the full board. Recommendations are implemented upon approval.

In addition the board requires that each major proposal submitted to the board for a decision is accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies. Each year the Managing Director and the Chief Financial Officer provide a written statement to the board, in accordance with section 295A of the Corporations Act, that the company's financial statements present a true and fair view, in all material respects, of the company's financial condition and operating results are in accordance with relevant accounting standards. They also confirm that the statement is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks. The company's policies on risk management are available on the company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee consists of the following non-executive directors:

R Packer (Chairman)

R S Brown

The Chairman of this committee is independent. However, having regard to the size of the company and the present composition of the board, the board does not consider it necessary for there to always be at least 3 members of this committee, with a majority of the directors independent, as required by Best Practice Recommendation 8.1. Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The committee operates in accordance with its charter which is available on the company's website. The Human Resources and Remuneration Committee makes recommendations to the full board on remuneration packages and other terms of employment for directors and senior executives. Executive remuneration and other terms of employment are reviewed annually by the committee having regard to personal and corporate performance and relevant comparative information. Remuneration packages which include base salary, superannuation and fringe benefits are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's specialised operations. Performance related bonuses are available to executives based on the performance of the company and achievement of personal objectives established at the start of the financial year. Certain employees are eligible to participate in the Employee Share Scheme as part of the performance related bonus.

Remuneration of non-executive directors is determined by the board within the maximum amount approved by the shareholders from time to time. The committee is also charged with the responsibility of setting the recruitment and termination policies and practices of the company and making contributions in regard to executive succession, planning and promotions. Further information on directors' and executives' remuneration is set out in section 16 of the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEDAR WOODS PROPERTIES LIMITED

PRICEWATERHOUSECOOPERS

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Independent auditorís report to the members of Cedar Woods Properties Limited

Report on the financial report

We have audited the accompanying financial report of Cedar Woods Properties Limited (the company), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Cedar Woods Properties Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directorsí responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditorís responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEDAR WOODS PROPERTIES LIMITED

PRICEWATERHOUSECOOPERS

Independent auditorís report to the members of Cedar Woods Properties Limited (continued)

Independence

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

Auditorís opinion

In our opinion:

(a) the financial report of Cedar Woods Properties Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 10 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditorís opinion

In our opinion, the remuneration report of Cedar Woods Properties Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
23 August 2010

Cedar Woods

DIRECTORS' DECLARATION

30 JUNE 2010

In the directors' opinion:

A. The financial statements and notes set out on pages 22 to 60 are in accordance with *the Corporations Act 2001*, including:

i. Complying with Accounting Standards, 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 30 June 2010 and of its performance for the financial year ended on that date; and

B. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

P Sadleir

P S Sadleir – Managing Director

Perth, Western Australia

23 August 2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	Consolidated 2010	2009
		$'000	$'000
Revenue from operations	3	108,415	107,076
Cost of sales		(57,882)	(59,057)
Gross margin		50,533	48,019
Other income	3	219	804
Other expenses:			
Project operating costs		(13,293)	(15,474)
Occupancy		(505)	(408)
Administration		(7,502)	(6,595)
Finance costs	4	(2,036)	(3,441)
Unrealised financial instrument (losses) gains		(265)	251
Depreciation and amortisation expense	4	(243)	(229)
Write down of assets	4	(2,060)	(9,227)
Share of net losses of associate accounted for using the equity method		(113)	(180)
Profit before income tax		24,735	13,520
Income tax expense	5	(7,494)	(4,257)
Profit for the year	30,35	**17,241**	**9,263**
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets, net of tax		-	(6)
Total comprehensive income for the year		**17,241**	**9,257**
Total comprehensive income attributable to members of Cedar Woods Properties Limited		**17,241**	**9,257**
Earnings per share for profit attributable to the ordinary owners of the company:			
Basic and diluted earnings per share	35	29.0 cents	16.2 cents

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 30 JUNE 2010

	NOTE	Consolidated 2010 $'000	Consolidated 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	527	1,583
Trade and other receivables	8	751	2,319
Inventories	9	36,650	44,628
Deferred development costs	10	4,616	-
Total current assets		42,544	48,530
Non-current assets			
Receivables	11	7,362	159
Inventories	12	148,124	103,421
Investments accounted for using the equity method	13	3,757	3,480
Available-for-sale financial assets	14	15	15
Derivative financial instruments	15	510	775
Property, plant and equipment	16	1,018	990
Investment properties	17	2,094	2,143
Other	19	233	3,207
Total non-current assets		163,113	114,190
Total assets		205,657	162,720
LIABILITIES			
Current liabilities			
Trade and other payables	20	28,061	11,357
Other financial liabilities	21	19,475	535
Current tax liabilities	22	1,962	3,066
Provisions	23	5,526	4,666
Total current liabilities		55,024	19,624
Non-current liabilities			
Borrowings	24	40,243	49,496
Deferred tax liabilities	25	1,543	112
Provisions	26	57	210
Total non-current liabilities		41,843	49,818
Total liabilities		96,867	69,442
Net assets		**108,790**	**93,278**
EQUITY			
Contributed equity	28	40,447	34,849
Reserves	29	874	1,148
Retained profits	30	67,469	57,281
Total equity		**108,790**	**93,278**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

Consolidated	NOTE	Contributed equity	Reserves	Retained earnings	Total
		$'000	$'000	$'000	$'000
Balance at 1 July 2008		29,507	990	53,449	83,946
Total comprehensive income for the year		**-**	**(6)**	**9,263**	**9,257**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	28	5,342	-	-	5,342
Transfers from reserves to retained profits		-	(83)	83	-
Dividends provided for or paid	6	-	-	(5,514)	(5,514)
Employee share plan reserve	29	-	247	-	247
		5,342	**158**	**3,832**	**9,332**
Balance at 30 June 2009		**34,849**	**1,148**	**57,281**	**93,278**
Balance at 1 July 2009		34,849	1,148	57,281	93,278
Total comprehensive income for the year		**-**	**-**	**17,241**	**17,241**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	28	5,598	-	-	5,598
Transfers from reserves to retained profits		-	(26)	26	-
Dividends provided for or paid	6	-	-	(7,079)	(7,079)
Employee share plan reserve	29	-	(248)	-	(248)
		5,598	**(274)**	**10,188**	**15,512**
Balance at 30 June 2010		**40,447**	**874**	**67,469**	**108,790**

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		119,362	119,284
Payments to suppliers and employees (incl. GST)		(34,353)	(28,354)
Payments for land and development		(56,338)	(45,312)
Interest received		415	746
Dividends received		-	1
Borrowing costs paid		(4,098)	(7,574)
Income taxes paid		(7,167)	(5,696)
Net cash inflows from operating activities	31	17,821	33,095
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1	7
Proceeds from repayment of employee share loans		24	-
Loan to associated entity		(7,302)	-
Payments for investments		(390)	-
Payments for property, plant and equipment		(226)	(309)
Net cash outflows from investing activities		(7,893)	(302)
Cash flows from financing activities			
Proceeds from share issue		2,202	4,011
Proceeds from borrowings		-	40,134
Repayment of borrowings		(9,209)	(71,757)
Payment of share issue expenses		(75)	(73)
Dividends paid	6	(3,902)	(4,011)
Net cash outflows from financing activities		(10,984)	(31,696)
Net (decrease) increase in cash and cash equivalents		(1,056)	1,097
Cash and cash equivalents at the beginning of the financial year		1,583	486
Cash and cash equivalents at the end of the financial year	**7**	**527**	**1,583**

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Cedar Woods Properties Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with International Financial Reporting Standards (IFRS).

The financial statements of the Cedar Woods Properties Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Cedar Woods Properties Limited.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Cedar Woods Properties Limited (parent) as at 30 June 2010 and the results of all subsidiaries for the year then ended. Cedar Woods Properties Limited and its subsidiaries together are referred to in these financial statements as the consolidated entity or the group.

Subsidiaries are those entities over which the parent has the power to govern the financial and operating policies, generally accompanying a shareholding of one-half or more of the voting rights.

The acquisition method of accounting is used to account for business combinations by the group. Subsidiaries are fully consolidated from the date on which control is transferred to the parent. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

All inter-company balances and transactions between companies within the consolidated entity are eliminated upon consolidation.

Associates

Associates are all entities over which the consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The consolidated entity's share of its associates' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Accounting policies of associates are consistent with accounting policies of the consolidated entity.

(c) Recognition of revenue

Revenue is measured at the fair value of the consideration received and is recognised net of discounts and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of land

Revenue arising from the sale of land held for resale is recognised at settlement.

Interest

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Lease income

Income from operating leases is recognised on a straight line basis over the period of each lease.

Commissions and fees

Commission and fee income is recognised when the right to receive the income has been earned in accordance with contractual arrangements.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate in Australia adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of distributions from controlled entities and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Tax consolidation legislation

Cedar Woods Properties Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

Cedar Woods Properties Limited and the controlled entities in the tax-consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax-consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Cedar Woods Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

Amounts receivable or payable under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated entity. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

(e) Earnings per share

Basic earnings per share is determined by dividing the profit attributable to owners of Cedar Woods Properties Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the earnings used in the determination of basic earnings per share to take account of any effect on borrowing costs associated with the issue of dilutive potential ordinary shares. The weighted average number of ordinary shares is adjusted to reflect the conversion of all dilutive potential ordinary shares.

(f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, and deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Inventories and options over land

Property held for development and resale

With effect from 1 July 1992, property purchased for development and sale is valued at the lower of cost and net realisable value. Cost includes acquisition and subsequent development costs, and applicable borrowing costs incurred during development. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. All property held for development and sale is regarded as inventory and is classified as such in the balance sheet. Property is classified as current inventory only when sales are expected to result in realisation of cash within the next twelve months, based on management's sales forecasts. Borrowing costs incurred prior to active development and after development is completed, are expensed as incurred.

Prior to 1 July 1992 the consolidated entity's land assets were classified on acquisition as non-current investments and initially recorded at cost with regular independent valuations being undertaken. Increments or decrements were reflected in the balance sheet and also recognised in equity. The balance of this land is stated at 1992 valuation, which is its deemed cost under *AASB 140 Investment Property*. The amount remaining in the Asset Revaluation Reserve represents the balance of the net revaluation increment for land revalued prior to 1 July 1992 which is now classified as inventory and which is still held by the consolidated entity.

When property is sold, the cost of the land and attributable development costs, including borrowing costs, is expensed through cost of sales.

Options

When the consolidated entity enters into an option to acquire land, the option fee is capitalised in other assets (refer to note 19). When the entity exercises the option, the option fee is included as part of inventory. Should the option not be exercised, the option fee is expensed.

(h) Deferred development costs

Development costs incurred by the group for the development of land not held as an asset by the group are recorded as deferred development costs in the balance sheet. They are included in current assets, except for those which are not expected to be reimbursed within 12 months of the reporting period, which are classified as non-current assets. When the deferred development costs are reimbursed by the land owner, they are expensed in the profit or loss.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, or liabilities undertaken at the date of acquisition. Acquisition related costs are expensed as incurred. The acquisition of land is recognised when a valid unconditional purchase contract exists.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values at the date of acquisition. The discount rate used is the incremental borrowing rate applied by the consolidated entity's financiers for a similar borrowing under comparable terms and conditions.

(j) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash generating units, which is generally the project level.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line or diminishing value basis to write off the net cost of each item of property, plant and equipment, including leased equipment, over its expected useful life to the consolidated entity. The expected useful lives of items of property, plant and equipment and the depreciation methods used are:

- Buildings – 17 years (straight line method)
- Plant and equipment – 3 to 15 years (straight line and diminishing value methods)

The assets' residual values and useful lives are reviewed for impairment and adjusted if appropriate, at each reporting date.

(l) Investments and other financial assets

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the purpose for which investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designed as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets, except for those with maturities less than 12 months after the reporting period which are classified as current assets. Loans and receivables are included in receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. If there is evidence of impairment, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

Available-for sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets as management does not intend to sell them within 12 months. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Available-for-sale financial assets are carried at fair value. Changes in the fair value are recognised in other comprehensive income.

(m) Investment property

Investment property, principally comprising retail units, is held for long term rental yields and is not occupied by the consolidated entity. Investment property is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis to write off the net cost of each investment over its expected useful life to the consolidated entity. The expected useful life of investment property is 40 years.

(n) Employee benefits

Short term obligations

Liabilities for wages and salaries, bonuses and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

Other long term employee benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Share based payments

Share based payments have been provided to employees via the Cedar Woods Properties Limited Employee Share Scheme. Information relating to this scheme is set out in note 40. The fair value of performance rights is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the rights. The fair value of the performance rights is equal to the share price at date of grant. At each reporting date the company revises its estimate of the number of performance rights that are expected to vest. The employee benefit expense each period takes into account the most recent estimate. The impact of revision to estimates is recognised in the profit or loss with a corresponding adjustment to equity.

Bonus plans

The group recognises a liability and expense for bonuses earned during the financial year.

Superannuation

Contributions by the consolidated entity to employees' defined contribution superannuation funds are charged to the profit or loss when they are payable. The consolidated entity does not operate any defined benefit superannuation funds.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition.

(p) Leases

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases (note 32). Operating lease payments are charged to the profit or loss in the periods in which they are incurred as this represents the pattern of benefit derived from the leased assets.

Lease income from operating leases where the group is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet as investment properties.

(q) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the commencement of the facility when draw down occurs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets during the period when the asset is being prepared for its intended use or sale.

(r) Provisions

Provision for monitoring and surveys

Provision is made for the estimated liability arising from significant obligations in existence at balance date to statutory authorities for monitoring and surveys at the consolidated entity's land projects. The provision is not discounted to its present value as the effect of discounting is not material.

Provision for customer rebates

Provision is made for the estimated liability arising from obligations in existence at balance date to customers for the provision of landscaping and fencing rebates and other incentives, to which customers are generally entitled within 12 months of balance date.

(s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(t) Maintenance

Routine operating maintenance and repairs are charged as expenses as incurred.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(v) Segment reporting

Management has determined the operating segment based on the reports reviewed by the Managing Director that are used to make strategic decisions. The Managing Director has been identified as the chief operating decision maker.

Change in accounting policy

The group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment reporting*. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting. The internal reporting provided to the Managing Director includes key performance information at a whole of company level. The Managing Director uses the internal information to make strategic decisions, based primarily upon the expected future outcome of those decisions on the company as a whole. Material decisions to allocate resources are generally made at a whole of company level.

(w) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within one year.

Collectability of trade receivables is reviewed regularly. Trade receivables are secured by registered mortgages over land. Receivables that are uncollectable are written off by reducing the carrying amount directly. Receivables include prepayments and loans made under the employee share scheme.

(x) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes to fair value are taken to profit or loss and are included in other income or expenses.

(y) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, taxation authorities, are presented as operating cash flows.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been issued that are not mandatory for 30 June 2010 reporting periods. Management have reviewed these new accounting standards and interpretations and concluded they do not impact the group.

(aa) 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 statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(ab) Deficiency in current assets

At 30 June 2010 the consolidated balance sheet shows current assets of $42,544,000 and current liabilities of $55,024,000, causing a deficiency in net current assets of $12,480,000. There is a requirement to classify payables in relation to recent land acquisitions as current liabilities, based on the settlement dates provided in the purchase contracts, where those settlement dates occur within 12 months of balance date. The consolidated entity has a long term bank facility in place which is available to meet the commitments arising from the purchase contracts.

(ac) Parent entity financial information

The financial information for the parent entity, Cedar Woods Properties Limited, disclosed in note 43 has been prepared on the same basis as the consolidated financial statements, except as below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Cedar Woods Properties Limited.

(ii) Tax consolidation legislation

Cedar Woods Properties Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Cedar Woods Properties Limited, and the controlled entities in the tax-consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax-consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Cedar Woods Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

The entities have also entered into a tax funding agreement under which the 100% subsidiaries fully compensate the parent for any current tax payable assumed and are compensated by the parent for any current tax receivable and deferred tax assets relating to unused tax losses that are transferred to the parent under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the 100% subsidiaries' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity when it is issued. The head entity may require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity. The judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements in applying the entity's accounting policies

(i) Inventory - classification

Judgement is exercised with respect to estimating the classification of inventory between current and non-current assets. Land is classified as current inventory only when sales are expected to result in realisation of cash within the next twelve months, based on management's sales forecasts.

(ii) Inventory - valuation

The recoverable amount of inventory is estimated based on an assessment of net realisable value. This requires judgement as to the future cash flows likely to be generated from the properties included in inventory. Refer also to note 1 (g).

(iii) Estimation of impairment of property options

The recoverable amount of options is assessed based on the higher of fair value less costs to sell and value in use. This requires judgement as to the future cash flows likely to be generated from the properties under option and the appropriate discount rate to be applied. Refer to note 4 for details.

(iv) Estimation of impairment of loan to associated entity

The loan is assessed for impairment, requiring estimation of the future cash flows likely to be generated over the remaining term of the loan. Refer to note 4 for details.

(v) Customer rebates

The consolidated entity makes provisions for customer rebates as described in accounting policy 1(r). Judgement is required as to the amounts that will ultimately be paid based on the eligibility of customers to entitlements at the reporting date and the current cost of providing the rebates.

There were no critical judgements other than those involving estimates referred to above, that management made in applying the company's accounting policies.

3. REVENUE AND OTHER INCOME

	Consolidated	
	2010	**2009**
	$'000	$'000
From from operations		
Sale of land and buildings	105,542	105,780
Management fees and commissions	902	138
Dividends	-	1
Interest	1,470	746
Lease income	501	411
Total revenue	108,415	107,076
Other income		
Net gain on sale of plant and equipment	-	2
Sundry income	219	802
	219	804

4. EXPENSES

Profit before income tax expense includes the following specific expenses:

	Consolidated	
	2010	2009
	$'000	$'000
Finance costs		
Interest and finance charges	4,166	7,968
Calculated using effective interest method	990	237
Less: amount capitalised	(3,120)	(4,764)
Finance costs expensed	2,036	3,441
Net loss on sale of property, plant and equipment	3	-
Rental expense relating to operating leases		
Minimum lease payments	1,056	932
Other provisions		
Employee benefits	68	43
Customer rebates	2,823	3,859
Superannuation funds – defined contribution	410	639
Depreciation of property, plant and equipment	194	180
Depreciation of investment property	49	49
Employee benefits expense	4,309	4,873
Write down of non current assets		
Option fees and related costs	107	6,730
Inventory	900	2,494
Investments	-	3
Trade debtor	18	-
Loan to associated entity	1,035	-
	2,060	9,227

Where qualifying assets have been financed by the entity's corporate facility, the capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's corporate facility during the year, in this case 7.23% (2009 – 7.19%) per annum. Where qualifying assets are financed by specific facilities, the applicable borrowing costs of those facilities are capitalised.

Included in the write down of non-current assets is an impairment provision of $1,035,000 (2009 - $Nil) in relation to a loan to an associated entity. The impairment provision results from the company's assessment of the value of the loan in accordance with note 2(iv).

5. INCOME TAX

	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) Income tax expense		
Current tax	6,080	4,885
Deferred tax	1,431	(626)
Adjustments for current tax of prior periods	(17)	(2)
Income tax expense attributable to profit	7,494	4,257
Deferred income tax expense (revenue) included in income tax expense (revenue) comprises:		
Increase in deferred tax assets (note 18)	(649)	(1,213)
Increase in deferred tax liabilities (note 25)	2,080	587
	1,431	(626)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	24,735	13,520
Tax at the Australian tax rate of 30% (2009 – 30%)	7,420	4,056
Tax effect of amounts which are not deductible in calculating taxable income:		
■ Share of net loss of associated entity	34	54
■ Sundry items	57	149
	7,511	4,259
Adjustments for current tax of prior periods	(17)	(2)
Income tax expense	7,494	4,257

(c) Tax losses

At 30 June 2010 the consolidated entity had carried forward capital tax losses of $252,000 (2009 - $252,000) for which no deferred tax asset has been recognised.

6. DIVIDENDS - Ordinary Shares

	Consolidated	
	2010	2009
	$'000	$'000
Fully franked based on tax paid @ 30%		
Final dividend for the year ended 30 June 2009 of 7.0 cents (2008 – 10.0 cents) per fully paid share, paid on 30 October 2009 (2008 – 31 October 2008)		
■ Paid in cash	2,202	4,011
■ Satisfied by shares under the dividend reinvestment plan	1,805	1,404
■ Applied to the employee share loans	69	99
Interim dividend for the year ended 30 June 2010 of 5.0 cents per fully paid share, paid on 30 April 2010 (2009 – Nil)		
■ Paid in cash	1,700	-
■ Satisfied by shares under the dividend reinvestment plan	1,297	-
■ Applied to the employee share loans	6	-
Total	7,079	5,514
Dividends not recognised at year end	4,845	4,071

In addition to the dividends paid during the year, since year end the directors have recommended the payment of a final dividend of 8 cents per ordinary share (2009 - 7 cents), fully franked based on tax paid at 30% (2009: 30%). The above is the aggregate amount of the proposed dividend expected to be paid on 29 October 2010 out of retained profits at 30 June 2010, but not recognised as a liability at year end.

The franked portions of dividends proposed at 30 June 2010 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

	Consolidated	
	2010	2009
	$'000	$'000
Franking credits available for the subsequent financial year on a tax-paid basis of 30% (2009 – 30%)	29,743	26,762

The above amounts represent the franking accounts at the end of the financial year, adjusted for:

(a) Franking credits that will arise from the payment of the current tax liability;

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date ($nil);

(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date ($nil).

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $2,076,000 (2009 - $1,744,000).

7. CURRENT ASSETS – Cash and cash equivalents

	Consolidated	
	2010	2009
	$'000	$'000
Cash at bank and in hand	519	812
Deposits at call	8	771
	527	1,583

Cash at bank includes cash held in day to day bank transaction accounts earning interest from 0 to 4.16% (2009: 0 – 2.7%) per annum depending on the balances.

The Group's exposure to interest rate risk is discussed in note 41. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

8. CURRENT ASSETS – Trade and other receivables

	Consolidated	
	2010	2009
	$'000	$'000
Trade receivables	285	2,027
Other receivables	2	3
Prepayments	464	289
	751	2,319

Trade and other receivables include interest and non-interest bearing receivables (see note 41). Trade receivables are initially recorded at fair value and subsequently carried at amortised cost. There are no past due or impaired trade receivables at 30 June 2010 (2009 – $nil).

9. CURRENT ASSETS - Inventories

	Consolidated	
	2010	2009
Property held for resale	$'000	$'000
■ land at cost	11,951	14,849
■ at valuation 30 June 1992	88	58
■ capitalised development costs	23,292	28,321
■ at net realisable value	1,319	1,400
	36,650	44,628

Current assets pledged as security

Refer to note 24 for information on current assets pledged as security by the parent entity or its controlled entities.

10. CURRENT ASSETS – Deferred development costs

	Consolidated	
	2010	2009
	$'000	$'000
Deferred development costs	4,616	-
	4,616	-

11. NON-CURRENT ASSETS – Receivables

	Consolidated	
	2010	2009
	$'000	$'000
Other receivables	1	1
Loans – employee share scheme (note 40)	59	158
Loan to associated company	8,337	-
Provision for impairment on loan to associated company	(1,035)	-
	7,362	159

The fair values of non-current receivables of the group approximate the carrying values.

Other receivables and loans under the employee share scheme are non-interest bearing. None of these are impaired, or past due but not impaired.

The loan to the associated company represents a mezzanine loan facility provided to Cedar Woods Wellard Limited. The loan has been assessed for impairment and a provision of $1,035,000 has been made.

12. NON-CURRENT ASSETS – Inventories

	Consolidated	
	2010	2009
	$'000	$'000
Property held for resale		
■ land at cost	89,062	58,007
■ at valuation 30 June 1992	1,490	1,564
■ capitalised development costs	51,788	42,450
■ at net realisable value	5,784	1,400
	148,124	103,421
Current inventory (note 9)	36,650	44,628
Non-current inventory – as above	148,124	103,421
Aggregate carrying amount	184,774	148,049

The 1992 valuations were independent valuations which were based on current market values at that time.

Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the parent entity or its controlled entities.

13. NON-CURRENT ASSETS – Investments accounted for using the equity method

	Consolidated	
	2010	2009
	$'000	$'000
Unlisted securities		
Shares in associate	3,757	3,480
Movements in carrying amounts		
At start of the year	3,480	3,660
Share of losses after income tax	(113)	(180)
Purchase of additional share in associate	390	-
At end of the year	3,757	3,480
Share of associate's loss		
Loss before income tax	162	257
Income tax revenue	(49)	(77)
Loss after income tax	113	180
Share of associate's assets and liabilities		
Assets	14,617	10,512
Liabilities	(10,215)	(7,032)

The consolidated entity owns a 32.5% (2009 – 25%) interest in Cedar Woods Wellard Limited (CWWL), a property development company incorporated in Australia. The consolidated entity increased its interest from 25% to 32.5% in March 2010.

14. NON-CURRENT ASSETS – Available-for-sale financial assets

	Consolidated	
	2010	2009
	$'000	$'000
Listed securities		
Equity securities – at fair market value	15	15
	15	15

Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the parent entity or its controlled entities.

15. NON-CURRENT ASSETS – Derivative financial instruments

	Consolidated	
	2010	2009
	$'000	$'000
Interest rate cap contracts	20	179
Interest rate swap contracts	490	596
	510	775

(a) Instruments used by the group

The group is party to derivative financial instruments in the normal course of business in order to manage exposure to fluctuations in interest rates in accordance with the group's financial risk management policies.

Interest rate cap and swap contracts – Held for trading

Bank loans of the group currently bear an average variable interest rate of 8.20% per annum (2009 – 5.96% per annum). It is the group's policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly the consolidated entity has entered into interest rate cap and swap contracts under which a significant part of the consolidated entity's projected borrowings are protected for the period from 1 July 2010 to 28 February 2014.

The caps will be effective should the interest rate applicable to bank bills issued with a duration of 1 month (BBSY Bid) rise above certain levels, set at 8.0% - 8.5% per annum. Caps currently in place cover approximately 100% (2009 - 81%) of the variable loans outstanding at balance date, with terms expiring in 2012 and 2013.

The swaps effectively fix interest rates applicable to bank bills issued with a duration of 1 month (BBSY Bid) at certain levels between 4.02% - 4.49% per annum. Swaps currently in place cover approximately 75% (2009 – 61%) of the variable loans outstanding at balance date, with terms expiring in 2011 and 2014. The company is not applying hedge accounting to these derivatives. The gain or loss from re-measuring the derivative financial instruments at fair value is recognised in profit or loss.

16. NON-CURRENT ASSETS - Property, plant and equipment

	Consolidated	
	2010	2009
	$'000	$'000
Buildings		
■ cost	19	19
■ less accumulated depreciation	4	4
	15	15
Plant and equipment		
■ cost	2,010	1,799
■ less accumulated depreciation	1,007	824
	1,003	975
Total property, plant and equipment	1,018	990

Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the parent entity or its controlled entities.

17. NON-CURRENT ASSETS – Investment properties

	Consolidated	
	2010	2009
	$'000	$'000
Cost		
At start of the year	2,257	2,257
At end of the year	2,257	2,257
Depreciation		
At start of the year	114	65
Charge for year	49	49
At end of the year	163	114
Net book value	2,094	2,143

Management considered the fair value of investment properties at 30 June 2010 to be $5,000,000 (2009 - $3,321,000). This valuation was based on independent valuations obtained during the financial year.

Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Minimum lease payments under these non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated	
	2010	**2009**
	$'000	$'000
Within one year	311	308
Later than one year but not later than 5 years	1,104	1,326
Later than 5 years	349	349
	1,764	1,983
Amounts recognised in profit and loss for investment properties		
Rental income	303	309
Direct operating expenses from property that generated investment income	82	126
Direct operating expenses from property that did not generate investment income	39	7

Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the parent entity or its controlled entities.

18. NON-CURRENT ASSETS – Deferred tax assets

	Consolidated	
	2010	**2009**
The balance comprises temporary differences attributable to:	$'000	$'000
Amounts recognised in profit or loss		
Employee benefits	323	194
Provision for customer rebates	1,526	1,306
Borrowing costs	163	171
Provision for monitoring and surveys	7	35
Write downs of assets	943	1,191
Other	582	21
Amounts recognised directly in equity		
Share issue expenses	23	-
Total deferred tax assets	3,567	2,918
Set-off of deferred tax assets pursuant to set-off provisions	(3,567)	(2,918)
Net deferred tax assets	-	-

	Consolidated 2010	2009
	$'000	$'000
Deferred tax assets at 1 July	2,918	1,705
Increase in deferred tax assets credited to income tax expense (note 5)	649	1,213
Deferred tax assets at 30 June	3,567	2,918
Deferred tax assets to be recovered within 12 months	2,141	592
Deferred tax assets to be recovered after more than 12 months	1,426	2,326
	3,567	2,918

19. NON-CURRENT ASSETS – Other

	Consolidated 2010	2009
	$'000	$'000
Options over land at cost	40	
Provision for impairment of option	-	(1,472)
Other capitalised costs	193	162
	233	3,207

Options exist from time to time over a number of land holdings, with different expiry dates. At 30 June 2010 one option existed and this expires during the next financial year but may be extended for a further 12 months upon payment of an option extension fee.

20. CURRENT LIABILITIES – Trade and other payables

	Consolidated 2010	2009
	$'000	$'000
Trade payables	3,723	2,618
Accruals	6,729	3,122
Other payables	1,409	4,870
Other – vendors of land	16,200	747
	28,061	11,357

21. CURRENT LIABILITIES – Other financial liabilities

	Consolidated 2010	2009
	$'000	$'000
Other liabilities – vendors of land	19,475	535
	19,475	535

22. CURRENT LIABILITIES – Current tax liabilities

	Consolidated	
	2010	2009
	$'000	$'000
Income tax	1,962	3,066

23. CURRENT LIABILITIES – Provisions

	Consolidated	
	2010	2009
	$'000	$'000
Employee benefits	418	234
Monitoring and surveys	23	79
Customer rebates	5,085	4,353
	5,526	4,666

Movements in provisions are shown at note 27.

24. NON-CURRENT LIABILITIES – Borrowings

	Consolidated	
	2010	2009
	$'000	$'000
Bank loans – secured	40,243	49,496
	40,243	49,496

The fair value of non-current borrowings equals their carrying amount, as the impact of discounting is not significant.

Security for borrowings

All of the consolidated entity's assets are pledged as security under fixed and floating charges.

Bank loans of $40,243,000 (2009 - $49,496,000) provided by Suncorp Metway are secured by first registered mortgages over some of the consolidated entity's land holdings, and first registered fixed and floating charges and guarantees and indemnities provided by Cedar Woods Properties Limited and applicable subsidiary entities. Cedar Woods Properties Limited has provided first registered fixed and floating charges over its assets and undertakings in relation to the corporate loan facility (see below).

Financing arrangements

Unrestricted access was available to the following lines of credit at balance date:

	Consolidated	
	2010	2009
	$'000	$'000
Bank facilities		
Total facilities (loans and guarantees)	107,000	143,520
Used at balance date	50,919	57,838
Unused at balance date	56,081	85,682

At 30 June 2010 the consolidated entity had a $95,000,000 (2009 - $105,000,000) revolving corporate loan facility due to expire on 30 September 2011. The facility conditions impose certain covenants as to the consolidated entity's shareholders equity, interest cover, revenue and valuation of property. The corporate facility provides funding for the consolidated entity's activities including acquisition and development. In addition the consolidated entity has a $12,000,000 (2009 - $2,000,000) bank guarantee facility subject to similar terms and conditions, which was drawn to an amount of $10,673,000 at 30 June 2010 (2009 - $1,675,000). The interest on the corporate loan facility is variable and at 30 June 2010 was 8.13% per annum (2009 – 5.96%).

At 30 June 2009 the consolidated entity also had in place limited recourse facilities totalling $36,520,000 for certain land development projects, comprising principal facilities totalling $28,500,000 and bank guarantee facilities totalling $8,020,000. These facilities have been repaid during the 2010 financial year.

Subsequent to the end of the financial year the consolidated entity procured a new corporate finance facility, details of which are set out in note 42.

Details of the group's exposure to risk arising from current and non-current borrowings are set out in note 41.

25. NON-CURRENT LIABILITIES – Deferred tax liabilities

	Consolidated	
	2010	2009
	$'000	$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Borrowing costs	2,597	2,446
Change in value of derivative financial instrument	91	170
Deferred development costs	1,430	-
Other	698	109
	4,816	2,725
Amounts recognised directly in equity		
Revaluation reserve	294	305
Total deferred tax liabilities	5,110	3,030
Set off of deferred tax liabilities pursuant to set-off provisions	(3,567)	(2,918)
Net deferred tax liabilities	1,543	112
Deferred tax liabilities at 1 July	3,030	2,443
Increase in deferred tax liabilities charged to income tax expense (note 5)	2,080	587
Deferred tax liabilities at 30 June	5,110	3,030
Deferred tax liabilities to be recovered within 12 months	2,288	567
Deferred tax liabilities to be recovered after more than 12 months	2,822	2,463
	5,110	3,030

26. NON-CURRENT LIABILITIES – Provisions

	Consolidated	
	2010	2009
	$'000	$'000
Employee benefits	57	173
Monitoring and surveys	-	37
	57	210

27. MOVEMENTS IN CURRENT AND NON-CURRENT PROVISIONS

Consolidated – 2010	Customer rebates	Monitoring and surveys	Total
	$'000	$'000	$'000
Carrying amount at start of year	4,353	116	4,469
Charged/(credited) to profit or loss	2,823	(93)	2,730
Payments	(2,091)	-	(2,091)
Carrying amount at end of year	5,085	23	5,108
The provisions have been classified as:			
Current provisions	5,085	23	5,108
Non-current provisions	-	-	-
	5,085	23	5,108
Carrying amount at start of year	1,792	210	2,002
Additional provisions required	4,113	-	4,113
Unused amounts reversed	(254)	(94)	(348)
Payments	(1,298)	-	(1,298)
Carrying amount at end of year	4,353	116	4,469
The provisions have been classified as:			
Current provisions	4,353	79	4,432
Non-current provisions	-	37	37
	4,353	116	4,469

28. CONTRIBUTED EQUITY

	2010	2009	2010	2009
	Shares	Shares	$'000	$'000
Start of the financial year	58,163,204	55,138,148	34,849	29,507
Shares issued pursuant to the dividend reinvestment plan:				
Ordinary shares issued on 31 October 2008 at $1.79	-	3,025,056	-	5,415
Less: Transaction costs arising on share issue	-	-	22	(73)
Ordinary shares issued on 30 October 2009 at $2.19	1,829,505	-	4,007	-
Less: Transaction costs arising on share issue	-	-	(53)	-
Ordinary shares issued on 30 April 2010 at $2.58	502,667	-	1,297	-
Shares issued under the employee share plan:				
Ordinary shares issued on 25 September 2009 at $4.69	69,330	-	325	-
	2,401,472	3,025,056	5,598	5,342
End of the financial year	60,564,676	58,163,204	40,447	34,849

Holders of ordinary shares are entitled to participate in dividends and the proceeds on any winding up of the company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend satisfied by the issue of new ordinary shares rather than cash. Shares are issued under the plan at a 2.5% discount to the market price.

29. RESERVES

	Consolidated	
	2010	2009
	$'000	$'000
Composition		
a) Asset revaluation reserve (pre 1992)	685	711
b) Available-for-sale investments revaluation reserve	-	-
c) Employee share plan reserve	189	437
	874	1,148
Movements		
a) Asset revaluation reserve		
Balance at the beginning of the financial year	711	794
Transfer to retained profits (note 30)	(26)	(83)
Balance at the end of the financial year	685	711
b) Available-for-sale investments revaluation reserve		
Balance at the beginning of the financial year	-	6
Revaluation – gross	-	(6)
Balance at the end of the financial year	-	-

	Consolidated	
	2010	2009
	$'000	$'000
c) Employee share plan reserve		
Balance at the beginning of the financial year	437	190
Employee share plan expense	(248)	247
Balance at the end of the financial year	189	437

The asset revaluation reserve was used until 1992 to record increments and decrements on the revaluation of non-current assets. Refer to note 1(g).

Changes in the value of available-for-sale investments are taken to the available-for-sale investments revaluation reserve. Refer to note 1(l). No tax arises on the revaluation due to the existence of available capital losses.

The employee share plan reserve is used to recognise the grant date fair value of the rights issued to employees adjusted for those rights not expected to vest.

30. RETAINED PROFITS

	Consolidated 2010	2009
	$'000	$'000
Retained profits at the start of the financial year	57,281	53,449
Net profit attributable to members of Cedar Woods Properties Limited	17,241	9,263
Transfers from reserves (note 29)	26	83
Dividends provided for or paid (note 6)	(7,079)	(5,514)
Retained profits at the end of the financial year	67,469	57,281

31. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOWS FROM OPERATING ACTIVITIES

	Consolidated 2010	2009
	$'000	$'000
Profit after income tax	17,241	9,263
Depreciation	243	229
Loss (profit) on sale of non-current assets	3	(2)
Non cash employee benefits expense – share plan	77	247
Write down of assets	1,025	9,227
Fair value gain on derivative financial instrument	265	(251)
Share of loss in equity accounted investment	113	180
Changes in operating assets and liabilities		
Increase in provisions for employee benefits	68	42
Increase in provisions	639	2,467
Increase in deferred development costs	(4,616)	-
(Increase) decrease in inventories	(37,749)	11,597
Decrease (increase) in options over land	2,973	(51)
Increase in deferred tax assets	(649)	(1,213)
Decrease in current income tax payable	(1,104)	(813)
Increase in deferred tax liability	2,080	587
Decrease in debtors	1,568	2,664
Increase (decrease) in creditors	35,644	(1,078)
Net cash inflows from operating activities	17,821	33,095

32. COMMITMENTS FOR EXPENDITURE

Commitments for minimum lease payments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Within 1 year	831	1,080
Later than 1 year but not later than 5 years	377	1,191
	1,208	2,271

The group leases various offices under non-cancellable operating leases expiring within 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

At 30 June 2010 the consolidated entity had commitments under civil works and building construction contracts for development of its residential land and apartment projects in the ordinary course of business. The total amount contracted for work yet to be completed for civil works was $8,600,000 (2009 - $7,100,000) and for building construction was $17,600,000 (2009 - $1,600,000). This work will be substantially completed in the next 12 months.

33. SEGMENT INFORMATION

Management has determined the operating segment based on the reports reviewed by the Managing Director that are used to make strategic decisions.

The company operates a single business in a single geographic area and hence has one reportable segment. The company engages in property investment and development which takes place in Australia. The company has no separate business units or divisions.

The internal reporting provided to the Managing Director includes key performance information at a whole of company level. The Managing Director uses the internal information to make strategic decisions, based primarily upon the expected future outcome of those decisions on the company as a whole. Material decisions to allocate resources are generally made at a whole of company level.

	Consolidated	
	2010	2009
	$'000	$'000
Revenues from external customers		
Sale of land and buildings in Australia, management fees and lease income	106,945	106,329

The company sells products to the public and is not reliant upon any single customer for 10% or more of the company's revenue.

Assets

All of the company's assets are held within Australia.

Measures of performance

The Managing Director assesses the performance of the operating segment based on the net profit after tax, earnings per share and net tangible assets per share.

34. INVESTMENT IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b). The subsidiaries are incorporated in Australia.

Company	Class of shares	Equity Holding	
		2010	2009
Cranford Pty Ltd	Ordinary	100%	100%
Daleford Property Pty Ltd	Ordinary	100%	100%
Dunland Property Pty Ltd	Ordinary	100%	100%
Esplanade (Mandurah) Pty Ltd	Ordinary	100%	100%
Eucalypt Property Pty Ltd	Ordinary	100%	100%
Flametree Property Pty Ltd	Ordinary	100%	100%
Gaythorne Pty Ltd	Ordinary	100%	100%
Galaway Holdings Pty Ltd	Ordinary	100%	100%
Geographe Property Pty Ltd	Ordinary	100%	100%
Jarrah Property Pty Ltd	Ordinary	100%	100%
Kayea Property Pty Ltd	Ordinary	100%	100%
Lonnegal Property Pty Ltd	Ordinary	100%	100%
Osprey Property Pty Ltd	Ordinary	100%	100%
Silhouette Property Pty Ltd	Ordinary	100%	100%
Terra Property Pty Ltd	Ordinary	100%	100%
Upside Property Pty Ltd	Ordinary	100%	100%
Vintage Property Pty Ltd	Ordinary	100%	100%
Woodbrooke Property Pty Ltd	Ordinary	100%	100%
Yonder Property Pty Ltd	Ordinary	100%	100%
Zamia Property Pty Ltd	Ordinary	100%	100%
Cedar Woods Properties Harrisdale Pty Ltd	Ordinary	100%	-
Cedar Woods Properties Investments Pty Ltd	Ordinary	100%	100%
Cedar Woods Properties Management Pty Ltd	Ordinary	100%	100%
Cedar Woods Property Sales Pty Ltd	Ordinary	100%	100%
CWP Rural Grove Pty Ltd	Ordinary	-	100%
CWP Central Pty Ltd	Ordinary	-	100%
CWP Lakeview Pty Ltd	Ordinary	-	100%
CWP Parkland Pty Ltd	Ordinary	-	100%
CWP Pineview Pty Ltd	Ordinary	-	100%
CWP Forest Pty Ltd	Ordinary	-	100%
CWP Market Place Pty Ltd	Ordinary	-	100%
CWP Northern Holdings Pty Ltd	Ordinary	-	100%
Williams Landing Town Centre Pty Ltd	Ordinary	100%	100%

35. EARNINGS PER SHARE

	Consolidated 2010	2009
Basic earnings per share (cents)	29.0	16.2
Diluted earnings per share (cents)	29.0	16.2
Net profit attributable to the ordinary owners of the company ($'000)	17,241	9,263
Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share	59,524,272	57,152,089
Adjustment for calculation of diluted earnings per share:		
Potential shares under employee share plan	84,733	159,870
Weighted average number of ordinary shares used as the denominator in the calculation of diluted earnings per share	56,609,305	57,311,959

36. CONTINGENT LIABILITIES

At 30 June 2010 bank guarantees totalling $10,673,000 (2009 - $8,343,000) had been provided to various state and local authorities supporting development and maintenance commitments.

(a) Directors and other key management personnel

Details about each director and other key management personnel are included in the remuneration report in the directors' report.

37. KEY MANAGEMENT PERSONNEL DISCLOSURES

(b) Key management personnel compensation

	Consolidated and parent company 2010	2009
	$	$
Short-term employee benefits	2,167,179	1,920,658
Post employment benefits	174,205	241,552
	2,341,384	2,162,210

Detailed remuneration disclosures are provided in sections A to C of the remuneration report.

(c) Equity instrument disclosures relating to key management personnel

The numbers of ordinary shares in the company held during the financial year by each director of Cedar Woods Properties Limited and each of the key management personnel, including their personally-related parties, are set out below. There were no shares granted during the period as compensation.

2010 Name	Number of shares at the start of the year	Other changes during the year	Number of shares at the end of the year
Directors of Cedar Woods Properties Limited			
William G Hames†	8,133,123	480,893	8,614,016
Robert S Brown*	9,227,856	179,087	9,406,943
Ronald Packer	33,355	1,733	35,088
Paul S Sadleir	837,959	59,056	897,015
Timothy S Brown (alternate for R S Brown)	4,709,674	207,851	4,917,525
Other key management personnel of the consolidated entity			
Paul S Freedman	120,467	8,034	128,501
Kenneth N Haustead	103,433	(1,600)	101,833
Nathan J Blackburne	94,955	7,947	102,902
Patrick J Archer	19,511	4,000	23,511
Stuart A Duplock	-	10,000	10,000

2009 Name	Number of shares at the start of the year	Other changes during the year	Number of shares at the end of the year
Directors of Cedar Woods Properties Limited			
William G Hames†	7,844,813	288,310	8,133,123
Robert S Brown*	10,240,744	(1,012,888)	9,227,856
Ronald Packer	21,135	12,220	33,355
Paul S Sadleir	830,459	7,500	837,959
Timothy S Brown (alternate for R S Brown from 2 July 2008)*	4,755,776	(46,102)	4,709,674
Other key management personnel of the consolidated entity			
Paul S Freedman	120,436	31	120,467
Kenneth N Haustead	103,433	-	103,433
Nathan J Blackburne	94,955	-	94,955
Patrick J Archer	19,511	-	19,511
Bruce A Buckley	3,107	175	3,282

†Includes 2,014,439 (2009 - 2,414,439) shares over which W G Hames has voting rights and a first right of refusal to purchase.

*Interest of T R Brown relates to shares also shown under R S Brown.

The interests shown above comply with AASB124 *Related Party Disclosures* and differ to those shown at item 13 of the directors' report which comply with the requirements of sections 608 and 609 of the *Corporations Act 2001*.

(d) Loans to key management personnel

Details of loans made to directors of Cedar Woods Properties Limited and other key management personnel, including their personally-related entities, are set out below. All loans were made under the employee share scheme.

Aggregates for key management personnel

Group	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged* $	Balance at the end of the year $	Number in group at the end of the year $
2010	131,232	-	4,189	50,478	2
2009	229,950	-	8,189	131,232	4

Individuals with loans above $100,000 during the financial year

In 2010, there were no loans to individuals that exceeded $100,000 at any time.

P S Sadleir	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged* $	Balance at the end of the year $	Highest debt during the year $
2009	132,268	-	4,093	56,876	132,268

*Equates to the value of benefit not charged under interest free loan, and is included in non-monetary benefits under details of remuneration in the directors' report. The amounts shown for interest not charged represents the amount that would have been charged on an arm's-length basis.

No write downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

(e) Other transactions with key management personnel

During the year planning, architectural and consulting services were provided by Hames Sharley Architects of which Mr W G Hames is a principal. The transactions were performed on normal commercial terms and conditions.

During the year creative design services were provided by Axiom Design, an entity associated with the family of Mr W G Hames. The services were performed on normal commercial terms and conditions.

Property settlement charges were paid to Westland Settlement Services Pty Ltd, a company associated with the family of Robert Brown. The charges were based on normal commercial terms and conditions.

The company sold a sales office car park lot to Mr Patrick Archer during the 2009 financial year and has leased the car park lot back on normal commercial terms and conditions.

The company leased a sales office car park lot from Mr Paul Freedman on normal commercial terms and conditions.

The company leased a sales office car park lot from Mr Patrick Archer on normal commercial terms and conditions.

Fees were paid on normal commercial terms and conditions to a family relation of Mr Ken Haustead who manned the company sales offices on a relief basis during the year.

Aggregate amounts of each of the above types of other transactions with key management personnel of Cedar Woods Properties Limited or their related entities:

	2010	2009
	$	$
Amounts recognised as sales revenue		
Lot sales	-	223,250
Amounts recognised as expense		
Creative design services	21,232	7,121
Settlement fees	48,432	70,463
Lease expense	15,104	9,093
Sales office attendance fee	1,350	1,500
	86,118	88,177
Amounts recognised as inventory		
Architectural fees	144,352	65,875
	144,352	65,875
Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Cedar Woods Properties Limited or their related entities:		
Inventory	144,352	65,875
	144,352	65,875
Aggregate amounts payable to directors of Cedar Woods Properties Limited, or their related entities, at balance date relating to the above types of other transactions:		
Current liabilities	28,050	35,572

38. RELATED PARTIES

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 37.

(b) Group

The group consists of Cedar Woods Properties Limited and its controlled entities. A list of these entities and the ownership interests held by the parent entity are set out in note 34.

(c) Parent entity

The parent entity within the group is Cedar Woods Properties Limited.

(d) Transactions with other related parties

Cedar Woods Properties Management Pty Ltd and Cedar Woods Property Sales derived management and selling fees totalling $902,025 (2009- $ nil) from an associated entity, Cedar Woods Wellard Limited.

(e) Guarantees

Cedar Woods Properties Limited has provided a performance guarantee in respect of the bank facility provided to Cedar Woods Wellard Limited (CWWL), an associated entity owned 32.5% (2009 – 25%) by the company. The guarantee has been given in relation to performance undertakings given by CWWL. $7,302,000 (2009 – $ nil) was advanced in relation to this guarantee during the year as part of an interest bearing loan to CWWL, with interest charged at 17%.

Cedar Woods Properties Limited has also provided bank guarantees (contingent instruments) to various state and local authorities on CWWL's behalf totalling $3,160,000 (2009 - $ nil) supporting CWWL's development and maintenance commitments. CWWL meets the bank's cost of issuing these bank guarantees.

(f) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2010	2009
	$	$
Current receivables (sales of goods and services)		
Cedar Woods Wellard Limited	1,268	-
	1,268	-
Current payables (purchases of goods)		
Hames Sharley Architects	46,750	33,055
Axiom Design	-	1,467
Westland Settlement Services Pty Ltd	-	2,390
	46,750	36,912

(g) Loans to related parties

	2010	2009
	$	$
Loan to Cedar Woods Wellard Limited		
Beginning of the year	-	-
Loans advanced	7,429,392	-
Loan repayments received	(127,600)	-
Interest charged	1,035,387	-
End of year	8,337,179	-

39. REMUNERATION OF AUDITORS

The consolidated entity may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the consolidated entity is important.

During the year the following fees were paid or payable to the auditor of the parent entity:

PricewaterhouseCoopers – Australian firm

	2010	2009
	$	$
Assurance services		
■ Audit and review of the financial statements of the parent entity and controlled entities	143,250	118,750
Non-audit services		
■ Accounting advisory services	6,700	4,400
■ Taxation advice	61,400	96,255
■ Taxation reviews	40,260	101,488
Total remuneration for other services	108,360	202,143
	251,610	320,893

The statutory audit requirements for the group vary from year to year and can have an impact on the level of audit fees.

40. EMPLOYEE SHARE SCHEME

During the 2007 to 2009 financial years Cedar Woods Properties Limited operated a performance rights based Employee Share Scheme. The scheme was designed to provide long-term incentives for eligible staff, including the managing director, to deliver long-term shareholder returns. Employees were able to elect not to participate in the scheme. Details of the scheme may be found in the 2008 and 2009 annual reports.

During the 2010 financial year, 69,300 ordinary shares were issued under the scheme, in relation to performance rights granted in respect of the 2007 financial year. A further 84,733 shares vested on 1 July 2010 in relation to performance rights granted for the 2008 financial year. No rights were issued in relation to the 2009 financial year, hence there are no further shares due to vest under the scheme. The scheme was discontinued after the 2009 financial year.

The cost of the scheme is recognised as part of employee benefit costs and expensed in profit and loss. The expense arising from the scheme in the 2010 financial year, recognised as part of employee benefit expense, was $77,000 (2009 - $248,000).

The scheme replaced the previous employee share plan. Under that plan, certain employees were granted shares funded by interest free loans from the company. At 30 June 2010, $59,000 (2009 - $158,000) remained outstanding from employees in relation to loans granted in prior financial years. No amounts were due from former employees.

41. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The group's risk management program addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as interest rate caps and interest rate swaps to limit its exposure to financial interest rate risk. The group uses different methods to measure different types of risk to which it is exposed, including sensitivity analysis for interest rate risk.

Financial risk management is considered part of the overall risk management program overseen by the Audit and Risk Management committee. Further detail on the types of risks to which the group is exposed and the way the group manages these risks is set out below.

The group and parent company hold the following financial instruments.

	2010	2009
	$'000	$'000
Financial assets		
Cash and cash equivalents	527	1,583
Trade and other receivables	8,113	2,478
Available-for-sale financial assets	15	15
Derivative financial instruments	510	775
	9,165	4,851
Financial liabilities		
Trade and other payables	28,061	11,357
Other financial liabilities	19,475	535
Borrowings	40,243	50,031
	87,779	61,923

(a) Market risk

(i) Price risk

The consolidated entity has no foreign exchange exposure and minimal exposure to price risk on equity securities.

(ii) Cash flow and fair value interest rate risk

As the consolidated entity does not have a significant portfolio of interest-bearing assets, the income and operating cash inflows are not materially exposed to changes in market interest rates. There is an indirect exposure to interest rate changes caused by the impact of these changes upon the property market. The group addresses this risk by virtue of managing its pricing, product offer and planned development programs.

The group has issued a fixed interest loan to an associated entity. Loans issued at fixed rates expose the group to fair value interest rate risk.

Interest rate risk arises from exposures to long term borrowings, where those borrowings are issued at variable interest rates. Borrowings issued at variable interest rates expose the group to cash flow interest rate risk. The consolidated entity reviews the potential impact of variable interest rate changes and considers various interest rate management products in the context of prevailing monetary policy of the Reserve Bank and economic conditions. Accordingly the consolidated entity has entered into interest rate cap and swap contracts under which a significant part of the consolidated entity's projected borrowings are protected for the period from 1 July 2010 to 28 February 2014.

The caps will be effective should the interest rate applicable to bank bills issued with a duration of 1 month (BBSY Bid) rise above certain levels, set at 8.0% - 8.5% per annum. Caps currently in place cover approximately 100% (2009 - 81%) of the variable loans outstanding at balance date, with terms expiring in 2012 and 2013.

The swaps effectively fix interest rates applicable to bank bills issued with a duration of 1 month (BBSY Bid) at certain levels between 4.02% - 4.49% per annum. Swaps currently in place cover approximately 75% (2009 - 61% of the variable loans outstanding at balance date, with terms expiring in 2011 and 2014. The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for receivables and borrowings is set out below.

	2010			2009		
	Interest bearing - fixed	Non interest bearing	Total	Interest bearing - fixed	Non interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Receivables						
Other receivables	-	751	751	1,220	1,099	2,319
Employee share loans	-	59	59	-	159	159
Loan to associated entity	8,337	-	8,337	-	-	-
	8,337	**810**	**9,147**	**1,220**	**1,258**	**2,478**
Weighted average interest rate	17%			8.6%		

	2010			2009		
	Interest bearing - variable	Non interest bearing	Total	Interest bearing - variable	Non interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings						
Bank loans	40,243	-	40,243	49,496	-	49,496
Vendors of land	-	35,675	35,675	-	535	535
	40,243	**35,675**	**75,918**	**49,496**	**535**	**50,031**
Weighted average interest rate	7.21%			7.19%		

An analysis by maturity is provided in (c) below.

Summarised interest rate sensitivity analysis

The table below illustrates the potential impact a change in bank interest rates of +/-1% would have had on the group's net profit and other equity.

Consolidated	Carrying Amount	-1% Profit	-1% Other Equity	+1% Profit	+1% Equity
30 June 2010	$'000	$'000	$'000	$'000	$'000
Financial liabilities					
Interest bearing liabilities	40,243	91	-	(82)	-
Total increase (decrease)	40,243	91	-	(82)	-

The potential impact on financials assets is immaterial. Refer to comments above for further information on the impact of changes in interest rates upon the group.

(b) Credit risk

The consolidated entity has minimal exposure to credit risk as title to lots or units in the consolidated entity's developments does not generally pass to customers until funds are received. In limited circumstances title is allowed to pass on certain lot sales in return for a substantial deposit and security held by way of a registered mortgage on the title. In other circumstances, title is allowed to pass unsecured where a credit rating by management has taken place, and which has assessed the customer to be of high creditworthiness.

Policies and procedures are in place to manage credit risk including management of deposits and review of the financial capacity of customers. Ongoing checks are performed by management to ensure that settlement terms detailed in individual contracts are adhered to. For land under option the consolidated entity secures its rights by way of encumbrances on the underlying land titles. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above.

Derivative counterparties and cash deposits are placed with high credit quality financial institutions, such as major trading banks. Credit risk further arises in relation to bank guarantees given to certain parties (see note 24 for details). These guarantees are supported by contractual arrangements that bind the counterparty, providing security against inappropriate presentation of the bank guarantees.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available credit facilities to manage the consolidated entity's financial commitments. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the group aims at maintaining flexibility in funding by keeping committed credit lines available.

At 30 June 2010 the group had undrawn committed facilities of $56,100,000 (2009 - $85,700,000) and cash of $500,000 (2009 - $1,580,000) to cover short term funding requirements.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table for non-interest bearing liabilities are the contractual undiscounted cash flows. For variable interest rate liabilities the cash flows have been estimated using interest rates applicable at the reporting date.

Group – at 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	48,311	-	-	48,311	47,536
Variable rate	-	44,372	-	44,372	40,243
Total non-derivatives	48,311	44,372	-	92,683	87,779

Group – at 30 June 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	11,892	-	-	11,892	11,892
Variable rate	-	-	56,151	56,397	49,496
Total non-derivatives	11,892	-	56,151	68,289	61,388

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, or for disclosure purposes.

As of 1 July 2009, the group has adopted the amendment to AASB 7 Financial instruments: Disclosure which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date (level 1). The quoted market price used for financial assets held by the consolidated entity is the current bid price. The fair value of financial instruments that are not traded in active markets (such as derivatives provided by the trading banks) is determined using market valuations provided by those banks at reporting date (level 2).

The carrying value (less any impairment provision) of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The carrying value of non-current borrowings (note 24) is assumed to approximate their fair values, as the impact of discounting is not significant.

(e) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group will consider a range of alternatives which may include:

- raising or reducing borrowings
- adjusting the dividend policy
- issue of new securities
- return of capital to shareholders
- sale of assets

Gearing is a measure used to monitor the levels of debt used in the business to fund operations. The gearing ratio is calculated as interest bearing bank debt net of cash and cash equivalents divided by shareholders' equity. Gearing is managed by reference to a guideline which sets the desirable upper and lower limits for the gearing ratio. The group's gearing is then addressed by utilising capital management initiatives as discussed above.

The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

	Note	2010	2009
		$'000	$'000
Total interest bearing bank debt	24	40,243	49,496
Less: cash and cash equivalents	7	(527)	(1,583)
Net debt		39,716	47,913
Shareholders' equity		108,790	93,278
Gearing ratio		36.5%	51.4%

The company's guideline is to target gearing generally within the range of 20-75% although periods where the gearing is outside of this range are acceptable, depending upon the timetable for construction and settlement of developments.

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Acquisition of land at Hazelmere, Western Australia

On 6 July 2010 the company completed the acquisition of a parcel of land at Hazelmere, WA at a cost of $18,000,000, of which $1,800,000 was paid by way of deposit prior to 30 June 2010.

New Corporate Finance Facility

On 19 August 2010 the company executed facility documents for a new $110,000,000, 3 year finance facility with ANZ Bank. Commencement of the new facility is anticipated on 31 August 2010 subject to satisfaction of remaining conditions precedent.

The new facility will provide funding for the company's existing operations, ongoing development and future acquisitions. It has been set up as a club facility with a security trustee, providing the flexibility for other banks to enter, should the company's requirements grow and more than one lender be required. The company will be required to observe the usual covenants for a facility of this kind including interest cover and loan to valuation ratios. The covenants are similar to the covenants in the company's existing corporate facility with Suncorp, which it has been operating since 2001 and will be repaid when the new ANZ facility commences.

43. PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2010	2009
	$'000	$'000
Balance sheet		
Current assets	21,615	16,770
Total assets	144,853	139,363
Current liabilities	18,937	15,307
Total liabilities	59,241	64,992
Net assets	85,612	74,371
Shareholders' equity		
Issued capital	40,447	34,849
Employee share plan reserve	190	437
Retained earnings	44,975	39,085
	85,612	74,371
Profit or loss for the year	12,969	2,822
Total comprehensive income	12,969	2,816

(a) Contingent liabilities of the parent entity

At 30 June 2010 bank guarantees totalling $6,138,000 (2009 - $195,000) had been provided to various state and local authorities supporting development and maintenance commitments.

INVESTORS' SUMMARY

Dividend and dividend policy

The current dividend policy is to distribute approximately 50% of the sum of the full year net profit after tax plus realised reserves. The final dividend for the 2010 financial year is 8.0 cents per share, fully franked. The dividend will be paid on 29 October 2010.

Shareholder discount scheme

The company operates a shareholder discount scheme which entitles shareholders to a 5% discount off the listed purchase price of any residential lot at the company's developments. A summary of the main terms and conditions follows:

- Shareholders must hold a minimum number of 5,000 shares for at least 12 months before purchasing a lot to qualify for the discount;
- There is no limit to the number of lots which a shareholder may purchase under the scheme, subject to any statutory restrictions; and
- The shareholder discount scheme does not apply to combined house and land packages or apartments.

The above is a summary of the main conditions and shareholders should apply to the company or visit the website for the full terms and conditions.

Electronic payment of dividends

The company continues to offer the electronic payment of dividends, which is now in use by the majority of our shareholders. Shareholders may nominate a bank, building society or credit union account for the payment of dividends by direct credit. Payments are electronically credited on the dividend payment date and confirmed by mailed advice. Shareholders wishing to take advantage of this facility for the first time should complete and return the form included with this Annual Report.

Dividend re-investment plan

The dividend re-investment plan is operated as part of measures to manage the company's capital. Shareholders wishing to change their participation status must complete an election form in accordance with the plan rules.

Shareholders' timetable

Share register closes for dividend (Record date)*	15 October 2010
Dividend payment date	29 October 2010
First quarter update	October 2010
Annual General Meeting	5 November 2010 – 10.00 am
Location	Kings Park Function Centre
Half-year result announcement	February 2011
Third quarter update	May 2011
Full year result and dividend announcement	August 2011

*Based on the register closing date it is anticipated that shares will trade ex-dividend on 8 October 2010. Shareholders should check with their broker prior to trading.

Shareholder information

The shareholder information set out below was applicable at 31 August 2010.

DISTRIBUTION OF ORDINARY SHARES

	Number of holders	Number of shares
1 – 1,000	219	114,509
1,001 – 5,000	605	1,776,124
5,001 – 10,000	251	1,942,256
10,001 – 100,000	294	7,590,563
100,001 and over	47	49,141,224
	1,416	60,564,676

There were 47 holders of less than a marketable parcel of ordinary shares.

TWENTY LARGEST SHAREHOLDERS OF ORDINARY SHARES

Name	Number of shares	Percentage of shares
National Nominees Limited	8,364,152	13.81
Hamsha Nominees Pty Ltd	5,298,622	8.75
Westland Group Holdings Pty Ltd	4,917,525	8.12
Beach Corporation Pty Ltd	4,037,318	6.67
Zero Nominees Pty Ltd	3,700,000	6.11
Australian Foundation Investments Company Limited	3,630,216	5.99
Australian Executor Trustees Limited	2,714,655	4.48
ANZ Nominees Limited	2,478,718	4.09
JP Morgan Nominees Australia Limited	2,159,742	3.57
Helen Kaye Poynton	1,677,095	2.77
Citicorp Nominees Pty Ltd	848,154	1.40
Golden Years Holdings Pty Ltd (AW Lennon A/C)	829,909	1.37
Mr Paul Sadleir	818,118	1.35
JDV Limited	751,169	1.24
ESA Securities Pty Ltd	592,920	0.98
Golden Years Holdings Pty Ltd (GE Lennon A/C)	564,354	0.93
Joia Holdings Pty Ltd (William George Hames Super Fund)	530,376	0.88
Ramneg Pty Ltd	505,714	0.83
Joia Holdings Pty Ltd	447,783	0.74
R S & J P Brown Super Fund A/C	446,100	0.74
	45,312,640	74.82

SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

Name	Number of shares	Percentage of shares
Entities related to R S and T R Brown		
■ Westland Group Holdings Pty Ltd	4,917,525	
■ Beach Corporation Pty Ltd	4,037,318	
■ R S & J P Brown Super Fund A/C	446,100	
■ Robert Brown	3,000	
	9,403,943	15.53%
Entities related to W G Hames		
■ Hamsha Nominees Pty Ltd	5,298,622	
■ Helen Kaye Poynton	1,672,095	
■ Helen Kaye Poynton + David Paul Poynton (Station Road Super Fund A/C)	342,344	
■ Joia Holdings Pty Ltd	447,783	
■ Joia Holdings Pty Ltd (William Hames Super Fund)	530,376	
■ William George Hames	239,404	
	8,530,624	14.09%
Acom Capital Limited	8,222,758	13.58%
Entities related to Kingston Capital Limited		
■ Australian Executor Trustees Limited	2,577,415	
■ ANZ Nominees Limited	2,372,640	
■ Other Managed Accounts	2,718,757	
	7,668,812	12.66%
Entities related to Westoz Funds Management Pty Ltd		
■ Zero Nominees Pty Ltd	3,700,000	6.11%

VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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