CedarWoods
PROPERTIES LIMITED

ABN 47 009 259 081

2011 Financial Report

Cedar Woods Properties Limited & Controlled Entities

Financial Report for the Year Ended 30 June 2011

Corporate Directory	2
Directors' Report	3
Corporate Governance Statement	14
Independent Auditor's Report to the Members	20
Directors' Declaration	22
Statement of Comprehensive Income	23
Balance Sheet	24
Statement of Changes in Equity	25
Cash Flow Statement	26
Notes to the Financial Statements	27

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 22 August 2011. The directors have the power to amend and reissue the financial statements.

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: 11.00am
Date: Friday 4 November 2011

Directors' Report

Your directors present their report on the consolidated entity consisting of Cedar Woods Properties Limited ('the company') and the entities it controlled (together 'the consolidated entity' or 'group') at the end of, or during, the year ended 30 June 2011.

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 2011 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:

	2011 $'000	**2010 $'000**
Final fully franked ordinary dividend for the year ended 30 June 2010 of 8.0 cents (2009 - 7.0 cents) per share paid on 29 October 2010 (2009 – 30 October 2009)	4,852	4,076
Interim fully franked ordinary dividend for the year ended 30 June 2011 of 11.0 cents (2010 – 5.0 cents) per share paid on 29 April 2011 (2010 – 30 April 2010)	6,495	3,003
	11,347	7,079

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $7,418,152 (12 cents per share) to be paid on 31 October 2011.

4. Review of operations

The following summarises the results of operations during the year and the financial position of the consolidated entity at 30 June 2011:

2011 highlights

- record net profit of $28,060,000, up 63%;
- full year dividends of 23 cents per share, up 77%;
- earnings per share of 45.8 cents, up 58%;
- debt comfortably within the board's target range;
- strong interest cover;
- new $110,000,000, 3-year bank facility established in August 2010.

2011 financial results summary

Year ended 30 June	2011 $'000	2010 $'000	% Change
Revenue	131,839	108,415	+ 21.6
Net profit after tax	28,060	17,241	+ 62.7
Total assets	233,595	205,657	+ 13.6
Net bank debt	55,100	39,716	+ 38.7
Shareholders' equity	129,549	108,790	+ 19.1

Key performance indicators

Year ended 30 June		2011	2010	Change
Basic earnings per share	¢	45.8	29.0	+ 57.9%
Dividends per share – fully franked	¢	23.0	13.0	+ 76.9%
Total shareholder return (1 year)	%	71.0	81.0	(10.0%)
Net bank debt to equity – 30 June	%	42.5	36.5	+ 6.0%
Interest cover	x	9.1	6.4	+ 2.7
Net asset backing per share – historical cost	$	2.10	1.80	+ 16.7%
Shares on issue – end of year	'000	61,818	60,565	+ 2.0%
Stock market capitalisation at 30 June	$'000	247,272	148,383	+ 66.6%
Share price at 30 June	$	4.00	2.45	+ 63.3%
Return on equity	%	21.7	15.8	+ 5.9%
Return on capital	%	22.5	18.0	+ 4.5%

Operational summary

In the 2011 financial year the group continued to develop and sell lots and units at its residential estates in Western Australia and Victoria. It also continued to manage property developments on behalf of other entities.

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

The group achieved record net profit, earnings per share and dividends in the 2011 financial year and maintained modest net debt to equity of 43.0% at year end. The $110 million corporate finance facility, which is in place until August 2013, was drawn to only $60.5 million at year end, inclusive of bank guarantees.

5. 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 group anticipates another record profit in FY2012, underpinned by a significant bank of presales already in place at the date of this report.

The group is positioned to comfortably exceed its 10% per annum earnings growth target in the 2012 financial year and achieve further growth in future years.

6. Significant changes in the state of affairs

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

7. Matters subsequent to the end of the financial year

In July 2011 the group completed the acquisition of two parcels of land at Baldivis, WA at a cost of $21.1 million, of which $0.3 million was paid by way of deposit prior to 30 June 2011.

Other than the above, no matters or circumstances have arisen since 30 June 2011 that have significantly affected or may significantly affect:

(a) the consolidated entity's operations in future financial years; or
(b) the results of those operations in future financial years; or
(c) the consolidated entity's state of affairs in future financial years.

8. 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.

9. Environmental regulation

To the best of the directors' knowledge the group 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.

10. 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-one 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-three years.

Other current listed company directorships and former listed company directorships in the last three years:
Luiri Gold Limited.

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 five 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 including strategic planning, portfolio management, acquisition analysis, equity and finance raising and investor relations management. Mr Sadleir holds Masters of Business Administration and Bachelor of Engineering degrees from the University of Western Australia and previously held senior positions with Wesfarmers Limited and Western Power. He is 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 board member of the Brightwater Care Group, one of the largest care providers in Western Australia. Mr Sadleir has served as a director for eight 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 sixteen years in financial management in the property industry, preceded by employment in senior roles with major accountancy firms.

11. 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.

12. 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	8,849,858
Robert S Brown*	9,637,313
Ronald Packer	134,024
Paul S Sadleir	901,918
Timothy R Brown*	5,027,176

*R S Brown and T R Brown have a shared interest in 5,027,176 shares.

13. 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

14. Meetings of directors

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 2011, 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:	12	4	2	3
Number of meetings attended by:				
W G Hames	12	*	*	3
R S Brown	12	4	2	3
R Packer	12	4	2	3
P S Sadleir	12	*	*	*
T R Brown (alternate director)	-	-	-	-

* Not a member of this committee

15. 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 group'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 reward satisfies the following key criteria for good reward governance practices:

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

The framework is aligned to shareholders' interests by having profitability and return on equity as core components of plan design.

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 group measured against the objectives set in the Corporate Plan and achievement of personal objectives established at the start of the year. As employees gain seniority, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

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 independent remuneration information to ensure non-executive directors' fees and payments are appropriate and in line with the market. Non-executive directors do not receive performance based pay.

Directors' fees
Non-executive directors' base remuneration was last reviewed with effect from 1 July 2010. Directors' remuneration is inclusive of additional fees paid to directors who sit on committees, with an additional fee payable for chairing 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.

The following fees (inclusive of superannuation) have applied:

	2011 **$**	**2010** **$**
Chair	130,000	90,000
Deputy Chair	100,000	70,000
Other non-executive directors	70,000	55,000
Committee chair	10,000	10,000

Pay of Managing Director and other executives
The executive pay and reward framework has the following components:
- Base pay and benefits
- Short-term performance incentives
- 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 STI is available if the group meets a pre-determined earnings target. Using an earnings target ensures variable reward is only available when value is created for shareholders and when profit is consistent with corporate objectives. 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 2011 financial year and awarded bonuses reflecting the group's record results, which exceeded the earnings target.

Long-term incentives (LTI)
The group previously operated an Employee share plan, however this was discontinued in FY2009. Under the plan, performance rights were granted to certain employees as a portion of their overall remuneration package. The last shares vested in July 2010 as a result of performance rights granted in respect of the 2008 financial year and no further grants are available. For details of the operation of the plan please refer to note 40 of the financial statements.

The company has established a new long term incentive plan, commencing in FY2012. Certain executives will be able to qualify for cash based payments, payable 1 July 2014, subject to company and individual performance hurdles being met in FY2012.

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 5-6 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
Paul Freedman – Chief Financial Officer
Stuart Duplock – WA State Manager
Patrick Archer – Victorian Developments Manager
Ken Haustead – Senior Development Manager

Directors of Cedar Woods Properties Limited

2011	**Short-term Benefits**			**Post employment**	
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Superannuation**	**Total**
	$	**$**	**$**	**$**	**$**
W G Hames	119,266	-	-	10,734	130,000
R S Brown	91,743	-	-	8,257	100,000
R Packer	53,669	-	-	46,331	100,000
P S Sadleir	610,689	250,000	8,210	48,761	917,660
Total	**875,367**	**250,000**	**8,210**	**114,083**	**1,247,660**

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**

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

2011	Short-term benefits			Post employment	
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Superannuation**	**Total**
	$	**$**	**$**	**$**	**$**
N Blackburne	284,801	50,000	5,988	15,199	355,988
P Freedman	241,819	37,000	1,156	20,199	300,174
P Archer	236,801	37,000	7,317	15,199	296,317
S Duplock	234,801	37,000	1,580	15,199	288,580
K Haustead	210,772	25,000	35	15,199	251,006
Total	**1,208,994**	**186,000**	**16,076**	**80,995**	**1,492,065**

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 employment with the company on 17 August 2009.

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

	2011		2010	
Name	**Fixed Remuneration %**	**At risk – STI %**	**Fixed remuneration %**	**At risk – STI %**
P Sadleir	73	27	75	25
N Blackburne	86	14	87	13
P Freedman	88	12	89	11
P Archer	88	12	90	10
S Duplock	87	13	88	12
K Haustead	90	10	91	9

C Terms of employment for the Managing Director and other executives

The terms of employment for Mr P 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 previously, when in operation, participation in the Cedar Woods' Employee Share Scheme. In addition, he 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 plus normal accrued entitlements.

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 previously participation in the Cedar Woods' Employee Share Scheme when it was in operation. 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 by the Human Resources and Remuneration Committee for each financial year ending 30 June and is reviewed annually.

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 group, 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 2011 bonuses will be paid in FY2012 and no part is payable in future years.

Name	2011 cash bonus vested %	2011 cash bonus forfeited %	2010 cash bonus vested %	2010 cash bonus forfeited %
P Sadleir	100	0	90	10
N Blackburne	100	0	95	5
P Freedman	100	0	90	10
P Archer	100	0	95	5
S Duplock	100	0	85	15
K Haustead	100	0	85	15

Over the past five years, shareholders have received an average total annual return of 2.3% based on a combination of dividends and changes in the company's share price.

In FY2011, the group delivered a record profit of $28.1million which exceeded budget and provided total shareholder returns of 71.0%. The cash bonuses ultimately awarded were in excess of those set at the commencement of the year, reflecting this level of performance.

16. Retirement, election and continuation in office of directors

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

17. 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.

18. Non-audit services

The group 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*.

19. 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 13.

20. 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.

21. 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 S Sadleir
Managing Director

Perth, Western Australia
22 August 2011

Auditor's Independence Declaration

As lead auditor for the audit of Cedar Woods Properties Limited for the year ended 30 June 2011, 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
22 August 2011

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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 group'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 Corporate Governance 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 group. The board sets the group's strategic direction and delegates responsibility for the management of the group to the Managing Director and senior executives. The group'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 group'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 group'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 and its subsidiaries 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's 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 consolidated entity 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 group'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 3 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 12 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 group. 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 group is able to meet its goals and objectives. The board is satisfied that it is discharging its obligations and that the group 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's website www.cedarwoods.com.au.

Board committees

The board has established three 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's 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 consolidated entity 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's website.

The Code contains details of the company's policy with respect to trading of the company's securities by directors or employees. The securities trading policy is also available on the company's website.

Diversity policy

The company recognises the benefits that diversity can bring to the organisation. Accordingly the company has developed a diversity policy, a copy of which can be found on the company's website. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the board to establish measurable objectives for achieving diversity and for the board to assess annually, both the objectives and the company's progress in achieving them.

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 consolidated entity 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 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.

PRINCIPLES 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 consolidated entity 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 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 remuneration of the Managing Director is negotiated by the Chairman and the Chair of the Human Resources and Remuneration Committee and approved by the Human Resources and Remuneration Committee and the Board. The Human Resources and Remuneration Committee makes recommendations to the full board on remuneration packages and other terms of employment for other 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 group and achievement of personal objectives established at the start of the financial year.

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. 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 15 of the directors' report.

Independent auditor's 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 2011, 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 Limited 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.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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.

Auditor's 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.

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Independent auditor's report to the members of Cedar Woods Properties Limited (continued)

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

Independence

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

Auditor's 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 2011 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 7 to 11 of the directors' report for the year ended 30 June 2011. 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.

Auditor's opinion

In our opinion, the remuneration report of Cedar Woods Properties Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
22 August 2011

Directors' Declaration
30 June 2011

In the directors' opinion:

a. the financial statements and notes set out on pages 23 to 55 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 2011 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, and

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 S Sadleir
Managing Director

Perth, Western Australia
22 August 2011

Statement of Comprehensive Income
For the Year Ended 30 June 2011

	NOTE	Consolidated 2011 $'000	2010 $'000
Revenue from operations	3	131,839	108,415
Cost of sales		(68,566)	(60,228)
Gross margin		63,273	48,187
Other income	3	85	219
Other expenses:			
Project operating costs		(10,719)	(10,947)
Occupancy		(507)	(505)
Administration		(8,563)	(7,502)
Finance costs	4	(1,215)	(2,036)
Unrealised financial instrument losses		(651)	(265)
Depreciation and amortisation expense	4	(247)	(243)
Write down of assets	4	(836)	(2,060)
Share of net losses of associate accounted for using the equity method	13	(380)	(113)
Profit before income tax		40,240	24,735
Income tax expense	5	(12,180)	(7,494)
Profit for the year	30,35	**28,060**	**17,241**
Total comprehensive income for the year		**28,060**	**17,241**
Total comprehensive income attributable to members of Cedar Woods Properties Limited		**28,060**	**17,241**
Earnings per share for profit attributable to the ordinary owners of the company:			
Basic and diluted earnings per share	35	45.8 cents	29.0 cents

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

Balance Sheet
As at 30 June 2011

	NOTE	Consolidated 2011 $'000	Consolidated 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	351	527
Trade and other receivables	8	3,958	751
Inventories	9	46,558	36,650
Deferred development costs	10	9,529	4,616
Derivative financial instruments	15	35	-
Total current assets		60,431	42,544
Non-current assets			
Receivables	11	8,911	7,362
Inventories	12	155,840	148,124
Investments accounted for using the equity method	13	3,377	3,757
Available-for-sale financial assets	14	15	15
Derivative financial instruments	15	231	510
Property, plant and equipment	16	954	1,018
Investment properties	17	2,045	2,094
Other	19	1,791	233
Total non-current assets		173,164	163,113
Total assets		233,595	205,657
LIABILITIES			
Current liabilities			
Trade and other payables	20	33,546	28,061
Other financial liabilities	21	-	19,475
Current tax liabilities	22	4,760	1,962
Provisions	23	4,457	5,526
Total current liabilities		42,763	55,024
Non-current liabilities			
Borrowings	24	55,451	40,243
Deferred tax liabilities	25	5,337	1,543
Provisions	26	88	57
Derivative financial instruments	15	407	-
Total non-current liabilities		61,283	41,843
Total liabilities		104,046	96,867
Net assets		**129,549**	**108,790**
EQUITY			
Contributed equity	28	44,682	40,447
Reserves	29	662	874
Retained profits	30	84,205	67,469
Total equity		**129,549**	**108,790**

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the Year Ended 30 June 2011

Consolidated	NOTE	Contributed equity	Reserves	Retained profits	Total
		$'000	$'000	$'000	$'000
Balance at 1 July 2009		**34,849**	**1,148**	**57,281**	**93,278**
Profit for the year		-	-	17,241	17,241
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)	(7,053)	(1,729)
Balance at 30 June 2010		**40,447**	**874**	**67,469**	**108,790**
Balance at 1 July 2010		**40,447**	**874**	**67,469**	**108,790**
Profit for the year		-	-	28,060	28,060
Total comprehensive income for the year		**-**	**-**	**28,060**	**28,060**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	28	4,235	-	-	4,235
Transfers from reserves to retained profits		-	(23)	23	-
Dividends provided for or paid	6	-	-	(11,347)	(11,347)
Employee share plan reserve	29	-	(189)	-	(189)
		4,235	(212)	(11,324)	(7,301)
Balance at 30 June 2011		**44,682**	**662**	**84,205**	**129,549**

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 2011

	NOTE	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		143,798	119,362
Payments to suppliers and employees (incl. GST)		(40,128)	(34,353)
Payments for land and development		(102,348)	(56,338)
Interest received		2,007	415
Borrowing costs paid		(4,715)	(4,098)
Income taxes paid		(5,588)	(7,167)
Net cash (outflows) inflows from operating activities	31	(6,974)	17,821
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	1
Proceeds from repayment of employee share loans		4	24
Loan to associated entity		(1,558)	(7,302)
Payments for investments		-	(390)
Payments for property, plant and equipment		(138)	(226)
Net cash outflows from investing activities		(1,692)	(7,893)
Cash flows from financing activities			
Proceeds from share issue		-	2,202
Proceeds from borrowings		15,787	-
Repayment of borrowings		-	(9,209)
Payment of share issue expenses		-	(75)
Dividends paid	6	(7,297)	(3,902)
Net cash inflows (outflows) from financing activities		8,490	(10,984)
Net decrease in cash and cash equivalents		(176)	(1,056)
Cash and cash equivalents at the beginning of the financial year		527	1,583
Cash and cash equivalents at the end of the financial year	7	**351**	**527**

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

Notes to the Financial Statements
30 June 2011

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 2011 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 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.

Cedar Woods Properties Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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.

(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 not arising from impairment 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 where contractually obliged or where past practice has created a constructive obligation.

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.

(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 2011 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. It is not expected to significantly effect the group's or the parent entity's related party disclosures.

(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) 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. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(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 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. Estimation of the future cash flows requires assumptions as to the ability of the associated entity to generate net cash flows available to make repayments. This requires estimation of the future selling prices and rate of sales of lots sold by the associated entity.

(iv) 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 group's accounting policies.

3. REVENUE AND OTHER INCOME

	Consolidated	
	2011	**2010**
	$'000	$'000
From operations		
Revenue		
Sale of land and buildings	127,316	105,542
Management fees and commissions	1,975	902
Interest	2,007	1,470
Lease income	541	501
Total revenue	131,839	108,415
Other income		
Sundry income	85	219
	85	219

4. EXPENSES

Profit before income tax expense includes the following specific expenses:

Finance costs		
Interest and finance charges	4,439	4,166
Calculated using effective interest method	775	990
Less: amount capitalised	(3,999)	(3,120)
Finance costs expensed	1,215	2,036
Net loss on sale of property, plant and equipment	3	3
Rental expense relating to operating leases		
Minimum lease payments	848	1,056
Other provisions		
Employee benefits	78	68
Customer rebates	1,732	2,823
Superannuation funds – defined contribution	459	410
Depreciation of property, plant and equipment	198	194
Depreciation of investment property	49	49
Employee benefits expense	5,865	5,231
Write down of assets		
Option fees and related costs	-	107
Inventory	827	900
Trade debtor	9	18
Loan to associated entity	-	1,035
	836	2,060

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 6.48% (2010 – 7.23%) 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 in 2010 was an impairment provision of $1,035,000 in relation to a loan to an associated entity. The impairment provision resulted from the company's assessment of the value of the loan in accordance with note 2(iii). No further impairment provision is required as at 30 June 2011.

5. INCOME TAX

(a) Income tax expense

	Consolidated	
	2011	**2010**
	$'000	$'000
Current tax	8,413	6,080
Deferred tax	3,794	1,431
Adjustments for current tax of prior periods	(27)	(17)
Income tax expense attributable to profit	12,180	7,494
Deferred income tax expense (revenue) included in income tax expense (revenue) comprises:		
Decrease (increase) in deferred tax assets (note 18)	1,447	(649)
Increase in deferred tax liabilities (note 25)	2,347	2,080
	3,794	1,431

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2011	2010
Profit before income tax	40,240	24,735
Tax at the Australian tax rate of 30% (2010 – 30%)	12,072	7,420
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share of net loss of associated entity	114	34
- Sundry items	21	57
	135	91
Adjustments for current tax of prior periods	(27)	(17)
Income tax expense	12,180	7,494

(c) Tax losses

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

6. DIVIDENDS – Ordinary Shares

	Consolidated 2011 $'000	2010 $'000
Fully franked based on tax paid @ 30%		
Final dividend for the year ended 30 June 2010 of 8.0 cents (2009 – 7.0 cents) per fully paid share, paid on 29 October 2010 (2009 – 30 October 2009)		
- Paid in cash	2,593	2,202
- Satisfied by shares under the dividend reinvestment plan	2,257	1,805
- Applied to the employee share loans	2	69
Interim dividend for the year ended 30 June 2011 of 11.0 cents (2010 – 5.0 cents) per fully paid share, paid on 29 April 2011 (2010 – 30 April 2010)		
- Paid in cash	4,704	1,700
- Satisfied by shares under the dividend reinvestment plan	1,789	1,297
- Applied to the employee share loans	2	6
Total	11,347	7,079
Dividends not recognised at year end	7,418	4,845

In addition to the dividends paid during the year, since year end the directors have recommended the payment of a final dividend of 12 cents per ordinary share (2010 - 8 cents), fully franked based on tax paid at 30% (2010: 30%). The above is the aggregate amount of the proposed dividend expected to be paid on 31 October 2011 out of retained profits at 30 June 2011, but not recognised as a liability at year end.

The franked portions of dividends proposed at 30 June 2011 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

Franking credits available for the subsequent financial year on a tax-paid basis of 30% (2010 – 30%)	33,619	29,743

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

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 $3,179,000 (2010 - $2,076,000).

7. CURRENT ASSETS – Cash and cash equivalents

Cash at bank and in hand	351	519
Deposits at call	-	8
	351	527

Cash at bank includes cash held in day to day bank transaction accounts earning interest from 0 to 4.00% (2010: 0 – 4.16%) 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	
	2011	**2010**
	$'000	$'000
Trade receivables	1,413	285
Other receivables	1,527	2
Prepayments	1,018	464
	3,958	751

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 2011 (2010 – $nil).

9. CURRENT ASSETS – Inventories

Property held for resale		
- land at cost	9,854	11,951
- at valuation 30 June 1992	114	88
- capitalised development costs	32,826	23,292
- at net realisable value	3,764	1,319
	46,558	36,650

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

Deferred development costs	15,471	4,616
Deferred development costs recovered	(5,942)	-
	9,529	4,616

11. NON-CURRENT ASSETS – Receivables

Other receivables	-	1
Loans – employee share scheme (note 40)	51	59
Loan to associated company	9,895	8,337
Provision for impairment on loan to associated company	(1,035)	(1,035)
	8,911	7,362

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 (2010: $1,035,000) has been made.

12. NON-CURRENT ASSETS – Inventories

Property held for resale		
- land at cost	110,368	89,062
- at valuation 30 June 1992	1,426	1,490
- capitalised development costs	38,182	51,788
- at net realisable value	5,864	5,784
	155,840	148,124
Current inventory (note 9)	46,558	36,650
Non-current inventory – as above	155,840	148,124
Aggregate carrying amount	202,398	184,774

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	
	2011	**2010**
	$'000	$'000
Unlisted securities		
Shares in associate	3,377	3,757
Movements in carrying amounts		
At start of the year	3,757	3,480
Share of losses after income tax	(380)	(113)
Purchase of additional share in associate	-	390
At end of the year	3,377	3,757
Loss before income tax	542	162
Income tax benefit	(162)	(49)
Loss after income tax	380	113
Share of associate's assets and liabilities		
Assets	14,192	14,617
Liabilities	(10,169)	(10,215)

The consolidated entity owns a 32.5% (2010 – 32.5%) interest in Cedar Woods Wellard Limited (CWWL), a property development company incorporated in Australia.

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

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. DERIVATIVE FINANCIAL INSTRUMENTS

Current assets		
Interest rate swap contracts	35	-
Non-current assets		
Interest rate cap contracts	2	20
Interest rate swap contracts	229	490
	266	510
Non-current liabilities		
Interest rate swap contracts	407	-
	(141)	510

(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
Bank loans of the group currently bear an average variable interest rate of 6.96% per annum (2010 – 8.20% 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 2011 to 2 June 2015.

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 70% (2010 - 100%) 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 4.06% - 6.0% per annum. Swaps currently in place cover approximately 55% (2010 – 75%) of the variable loans outstanding at balance date, with terms expiring in 2011, 2014 and 2015. The group 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	
	2011	**2010**
	$'000	$'000
Buildings		
- cost	19	19
- less accumulated depreciation	4	4
	15	15
Plant and equipment		
- cost	2,136	2,010
- less accumulated depreciation	1,197	1,007
	939	1,003
Total property, plant and equipment	954	1,018

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

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	163	114
Charge for year	49	49
At end of the year	212	163
Net book value	2,045	2,094

Management considered the fair value of investment properties at 30 June 2011 to be $4,195,000 (2010 - $5,000,000). 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	
	2011	**2010**
	$'000	$'000
Within one year	252	302
Later than one year but not later than 5 years	647	910
Later than 5 years	276	241
	1,175	1,453

Amounts recognised in profit and loss for investment properties

Rental income	312	303
Direct operating expenses from property that generated investment income	109	82
Direct operating expenses from property that did not generate investment income	54	39

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

The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	376	323
Provision for customer rebates	1,197	1,526
Borrowing costs	99	163
Provision for monitoring and surveys	-	7
Write downs of assets	-	943
Change in value of derivative financial instrument	105	-
Other	329	582
Amounts recognised directly in equity		
Share issue expenses	14	23
Total deferred tax assets	2,120	3,567
Set-off of deferred tax assets pursuant to set-off provisions	(2,120)	(3,567)
Net deferred tax assets	-	-
Deferred tax assets at 1 July	3,567	2,918
(Decrease) increase in deferred tax assets debited (credited) to income tax expense (note 5)	(1,447)	649
Deferred tax assets at 30 June	2,120	3,567
Deferred tax assets expected to be recovered within 12 months	1,556	2,141
Deferred tax assets expected to be recovered after more than 12 months	564	1,426
	2,120	3,567

19. NON-CURRENT ASSETS – Other

	Consolidated 2011 $'000	Consolidated 2010 $'000
Options over land at cost	50	40
Other capitalised costs	1,741	193
	1,791	233

Options exist from time to time over a number of land holdings, with different expiry dates. At 30 June 2011 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

Trade payables	5,520	3,723
Accruals	6,377	6,729
Other payables	239	1,409
Other – vendors of land	21,410	16,200
	33,546	28,061

21. CURRENT LIABILITIES – Other financial liabilities

Due to vendor of Camberwell property under contract of sale	-	19,475
	-	19,475

22. CURRENT LIABILITIES – Current tax liabilities

Income tax	4,760	1,962

23. CURRENT LIABILITIES – Provisions

Employee benefits	465	418
Monitoring and surveys	-	23
Dividends	2	-
Customer rebates	3,990	5,085
	4,457	5,526

Movements in provisions are shown at note 27.

Customers are generally entitled to customer rebates within 12 months of balance date, however claims may not be made within 12 months and some payments may be made after 12 months.

24. NON-CURRENT LIABILITIES – Borrowings

Bank loans – secured	56,029	40,243
Facility fees capitalised (amortised over the period of facility)	(799)	-
Amortisation of facility fees	221	-
	55,451	40,243

The fair value of non-current borrowings equals their carrying amount.

Security for borrowings

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

A bank loan of $56,029,000 provided by ANZ Bank (2010 - $40,243,000 under previous facility) is 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	
	2011	**2010**
	$'000	$'000
Bank facilities		
Total facilities (loan and guarantees)	110,000	107,000
Used at balance date	60,522	50,919
Unused at balance date	49,478	56,081

On 19 August 2010 the consolidated entity executed facility documents for a new $110,000,000, 3 year finance facility with ANZ Bank. Commencement of the new facility occurred on 31 August 2010. The facility conditions impose certain covenants as to the consolidated entity's revenue, interest cover and loan-to-valuation ratio. The corporate facility provides funding for the consolidated entity'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 facility includes a $10,000,000 (2010 - $12,000,000 under previous facility) bank guarantee facility subject to similar terms and conditions, which was drawn to an amount of $4,493,000 at 30 June 2011 (2010 - $10,673,000). The interest on the corporate loan facility is variable and at 30 June 2011 was 6.96% per annum (2010 – 8.13%).

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

The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Borrowing costs	2,733	2,597
Change in value of derivative financial instrument	-	91
Deferred development costs	3,364	1,430
Other	1,076	698
	7,173	4,816
Amounts recognised directly in equity		
Revaluation reserve	284	294
Total deferred tax liabilities	7,457	5,110
Set off of deferred tax assets pursuant to set-off provisions	(2,120)	(3,567)
Net deferred tax liabilities	5,337	1,543
Deferred tax liabilities at 1 July	5,110	3,030
Increase in deferred tax liabilities charged to income tax expense (note 5)	2,347	2,080
Deferred tax liabilities at 30 June	7,457	5,110
Deferred tax liabilities expected to be settled within 12 months	3,954	2,288
Deferred tax liabilities expected to be settled after more than 12 months	3,503	2,822
	7,457	5,110

26. NON-CURRENT LIABILITIES – Provisions

Employee benefits	88	57
	88	57

27. MOVEMENTS IN CURRENT AND NON-CURRENT PROVISIONS

Consolidated – 2011	Customer rebates $'000	Monitoring and surveys $'000	Total $'000
Carrying amount at start of year	5,085	23	5,108
Charged/(credited) to profit or loss	1,732	(23)	1,709
Payments	(2,827)	-	(2,827)
Carrying amount at end of year	3,990	-	3,990
The provisions have been classified as:			
Current provisions	3,990	-	3,990
	3,990	-	3,990

Consolidated – 2010	Customer rebates $'000	Monitoring and surveys $'000	Total $'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
	5,085	23	5,108

28. CONTRIBUTED EQUITY

	2011 Shares	2010 Shares	2011 $'000	2010 $'000
Start of the financial year	60,564,676	58,163,204	40,447	34,849
Shares issued pursuant to the dividend reinvestment plan:				
Ordinary shares issued on 30 October 2009 at $2.19	-	1,829,505	-	4,007
Ordinary shares issued on 30 April 2010 at $2.58	-	502,667	-	1,297
Ordinary shares issued on 29 October 2010 at $3.07	735,152	-	2,257	-
Ordinary shares issued on 29 April 2011 at $4.72	378,853	-	1,789	-
Transaction costs arising on share issues	-	-	-	(31)
Share issued pursuant to the bonus share plan:				
Ordinary shares issued on 29 April 2011	54,522	-	-	-
Shares issued under the employee share plan:				
Ordinary shares issued on 25 September 2009 at $4.69	-	69,300	-	325
Ordinary shares issued on 3 September 2010 at $2.24	84,733	-	189	-
	1,253,260	2,401,472	4,235	5,598
End of the financial year	61,817,936	60,564,676	44,682	40,447

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.

The company has established a bonus share plan under which holders of ordinary shares may elect not to receive dividends but to receive instead additional fully paid shares issued as 'Bonus Shares' to the equivalent value of the dividend foregone. The entitlement for shares issued under the plan is calculated based on the same pricing mechanism as the dividend reinvestment plan, including any discount.

29. RESERVES

	Consolidated	
	2011	**2010**
	$'000	$'000
Composition		
a) Asset revaluation reserve (pre 1992)	662	685
b) Employee share plan reserve	-	189
	662	874
Movements		
a) Asset revaluation reserve		
Balance at the beginning of the financial year	685	711
Transfer to retained profits (note 30)	(23)	(26)
Balance at the end of the financial year	662	685
b) Employee share plan reserve		
Balance at the beginning of the financial year	189	437
Employee share plan expense	(189)	(248)
Balance at the end of the financial year	-	189

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. No rights exist at 30 June 2011.

30. RETAINED PROFITS

Retained profits at the start of the financial year	67,469	57,281
Net profit attributable to members of Cedar Woods Properties Limited	28,060	17,241
Transfers from reserves (note 29)	23	26
Dividends provided for or paid (note 6)	(11,347)	(7,079)
Retained profits at the end of the financial year	84,205	67,469

31. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH (OUTFLOWS) INFLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2011	**2010**
	$'000	$'000
Profit after income tax	28,060	17,241
Depreciation	247	243
Loss on sale of non-current assets	3	3
Non cash employee benefits expense – share plan	-	77
Write down of assets	836	1,025
Fair value gain on derivative financial instrument	651	265
Share of loss in equity accounted investment	380	113
Changes in operating assets and liabilities		
Increase in provisions for employee benefits	78	68
(Decrease) increase in provisions	(1,116)	639
Increase in deferred development costs	(4,913)	(4,616)
Increase in inventories	(18,460)	(37,749)
(Increase) decrease in options over land and other capitalised costs	(1,558)	2,973
Decrease (increase) in deferred tax assets	1,447	(649)
Increase (decrease) in current income tax payable	2,798	(1,104)
Increase in deferred tax liability	2,347	2,080
Increase in capitalised borrowing costs	(577)	-
(Increase) decrease in debtors	(3,207)	1,568
(Decrease) increase in creditors	(13,990)	35,644
Net cash (outflows) inflows from operating activities	(6,974)	17,821

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:

Within 1 year	728	831
Later than 1 year but not later than 5 years	1,553	377
	2,281	1,208

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 2011 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 $10,800,000 (2010 - $8,600,000) and for building construction was $6,500,000 (2010 - $17,600,000). 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 group operates a single business in a single geographic area and hence has one reportable segment. The group engages in property investment and development which takes place in Australia. The group has no separate business units or divisions.

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

	Consolidated	
	2011	2010
	$'000	$'000
Revenues from external customers		
Sale of land and buildings in Australia, management fees and lease income	129,831	106,945

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

Assets

All of the group'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	
		2011	2010
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%	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%
Williams Landing Town Centre Pty Ltd	Ordinary	100%	100%

35. EARNINGS PER SHARE

	Consolidated 2011	2010
Basic earnings per share (cents)	45.8	29.0
Diluted earnings per share (cents)	45.8	29.0
Net profit attributable to the ordinary owners of the company ($'000)	28,060	17,241
Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share	61,202,812	59,524,272
Adjustment for calculation of diluted earnings per share:		
Potential shares under employee share plan	-	84,733
Weighted average number of ordinary shares used as the denominator in the calculation of diluted earnings per share	61,202,812	59,609,305

36. CONTINGENT LIABILITIES

At 30 June 2011 bank guarantees totalling $4,493,000 (2010 - $10,673,000) had been provided to various state and local authorities supporting development and maintenance commitments.

37. KEY MANAGEMENT PERSONNEL DISCLOSURES

(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.

(b) Key management personnel compensation

	2011 $	2010 $
Short-term employee benefits	2,544,647	2,167,179
Post employment benefits	195,078	174,205
	2,739,725	2,341,384

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.

2011 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†	8,614,016	323,400	8,937,416
Robert S Brown*	9,406,943	233,370	9,640,313
Ronald Packer	35,088	98,936	134,024
Paul S Sadleir	897,015	87,743	984,758
Timothy S Brown (alternate for R S Brown)	4,917,525	109,651	5,027,176
Other key management personnel of the consolidated entity			
Paul S Freedman	128,501	12,858	141,359
Kenneth N Haustead	101,833	6,131	107,964
Nathan J Blackburne	102,902	7,876	110,778
Patrick J Archer	23,511	6,637	30,148
Stuart A Duplock	10,000	233	10,233

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

†Includes 2,014,439 (2010 - 2,014,439) 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
2011	50,478	-	2,273	42,239	1
2010	131,232	-	4,189	50,478	2

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

In 2011, there were no loans to individuals that exceeded $100,000 at any time (2010 – nil).

*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 Mr R S Brown. The charges were based on normal commercial terms and conditions.

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

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

	2011	**2010**
	$	**$**
Amounts recognised as expense		
Creative design services	10,439	21,232
Settlement fees	28,025	48,432
Lease expense	15,627	15,104
Sales office attendance fee	-	1,350
	54,091	86,118
Amounts recognised as inventory		
Architectural fees	363,472	144,352
	363,472	144,352

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	363,472	144,352
	363,472	144,352

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	18,700	28,050

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 $1,296,450 (2010 - $902,025) from an associated entity, Cedar Woods Wellard Limited.

Terms and conditions

Management and selling fees are derived according to management agreements in place between the parties. These are based on normal terms and conditions, at market rates at the time of entering into the agreements.

(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% (2010 – 32.5%) by the group. The guarantee has been given in relation to performance undertakings given by CWWL. Nil (2010 – $7,302,000) 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 $120,000 (2010 - $3,160,000) 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:

	2011 $	2010 $
Current receivables (sales of goods and services)		
Cedar Woods Wellard Limited	1,729	1,268
	1,729	1,268
Current payables (purchases of goods)		
Hames Sharley Architects	169,042	46,750
	169,042	46,750

(g) Loans to related parties

	2011	2010
Loan to Cedar Woods Wellard Limited		
Beginning of the year	8,337,179	-
Loans advanced	18,640	7,429,392
Loan repayments received	-	(127,600)
Interest charged	1,539,440	1,035,387
End of year	9,895,259	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:

	2011 $	**2010** $
PricewaterhouseCoopers – Australian firm		
Assurance services		
- Audit and review of the financial statements of the parent entity and controlled entities	140,250	143,250
Non-audit services		
- Accounting advisory services	20,000	6,700
- Taxation advice	1,200	61,400
- Taxation reviews	28,000	40,260
Total remuneration for other services	49,200	108,360
	189,450	251,610

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. Details of the scheme may be found in the 2008 and 2009 annual reports.

During the 2011 financial year, 84,733 shares vested in relation to performance rights granted for the 2008 financial year. There are no further shares due to vest under the scheme as 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 2011 financial year, recognised as part of employee benefit expense, was $NIL (2010 - $77,266).

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 2011, $50,624 (2010 - $59,271) 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 holds the following financial instruments.

	2011	2010
	$'000	$'000
Financial assets		
Cash and cash equivalents	351	527
Trade and other receivables	12,869	8,113
Available-for-sale financial assets	15	15
Derivative financial instruments	266	510
	13,501	9,165
Financial liabilities		
Trade and other payables	33,546	28,061
Other financial liabilities	-	19,475
Borrowings	55,451	40,243
Derivative financial instruments	407	-
	89,404	87,779

(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 2011 to 2 June 2015.

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 70% (2010 - 100%) 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 4.06% - 6.0% per annum. Swaps currently in place cover approximately 55% (2010 - 75% of the variable loans outstanding at balance date, with terms expiring in 2011, 2014 and 2015. The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for receivables and borrowings is set out below.

	2011			2010		
	Interest bearing - fixed	**Non interest bearing**	**Total**	**Interest bearing - fixed**	**Non interest bearing**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Receivables						
Other receivables	-	3,958	3,958	-	751	751
Employee share loans	-	51	51	-	59	59
Loan to associated entity	9,895	-	9,895	8,337	-	8,337
	9,895	4,009	13,904	8,337	810	9,147
Weighted average interest rate	17%			17%		

	2011 Interest bearing - variable	2011 Non interest bearing	2011 Total	2010 Interest bearing - variable	2010 Non interest bearing	2010 Total
	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings						
Bank loans	56,029	-	56,029	40,243	-	40,243
Vendors of land	-	21,410	21,410	-	35,675	35,675
	56,029	21,410	77,439	40,243	35,675	75,918
Weighted average interest rate	6.48%			7.21%		

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

Summarised interest rate sensitivity analysis
The potential impact of a change in bank interest rates of +/-1% is not significant to the group's net profit and other equity.

The potential impact on financials assets is not significant. 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.

In relation to the loan to Cedar Woods Wellard Limited as set out in notes 11 and 38(g), the company has secured the loan by way of a second mortgage over land held by Cedar Woods Wellard Limited and a second ranked fixed and floating charge over the assets of Cedar Woods Wellard Limited. The mortgage and charge are subordinated to those held by Cedar Woods Wellard Limited's bankers, via a deed of priority and subordination in favour of Cedar Woods Wellard Limited's bankers.

(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 2011 the group had undrawn committed facilities of $49,200,000 (2010 - $56,100,000) and cash of $350,000 (2010 - $500,000) 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 2011	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	33,546	-	-	33,546	33,546
Variable rate	-	-	66,299	66,299	56,029
Total non-derivatives	33,546	-	66,299	99,845	89,575

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

(d) Fair value estimation

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

AASB 7 *Financial instruments: Disclosures* 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.

(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 2011 and 30 June 2010 were as follows:

	Note	2011	2010
		$'000	$'000
Total interest bearing bank debt	24	56,029	40,243
Less: cash and cash equivalents	7	(351)	(527)
Net debt		55,678	39,716
Shareholders' equity		129,549	108,790
Gearing ratio		43.0%	36.5%

The group'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 Baldivis, Western Australia
In July 2011 the group completed the acquisition of two parcels of land at Baldivis, WA at a cost of $21.1 million, of which $0.3 million was paid by way of deposit prior to 30 June 2011.

43. PARENT ENTITY FINANCIAL INFORMATION

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

	2011	2010
	$'000	$'000
Balance sheet		
Current assets	25,603	21,615
Total assets	195,851	144,853
Current liabilities	43,292	18,937
Total liabilities	99,238	59,241
Net assets	96,613	85,612
Shareholders' equity		
Issued capital	44,682	40,447
Employee share plan reserve	-	190
Retained earnings	51,931	44,975
	96,613	85,612
Profit or loss for the year	18,302	12,969
Total comprehensive income	18,302	12,969

(a) Contingent liabilities of the parent entity

At 30 June 2011 bank guarantees totalling $4,493,000 (2010 - $6,138,000) had been provided to various state and local authorities supporting development and maintenance commitments.