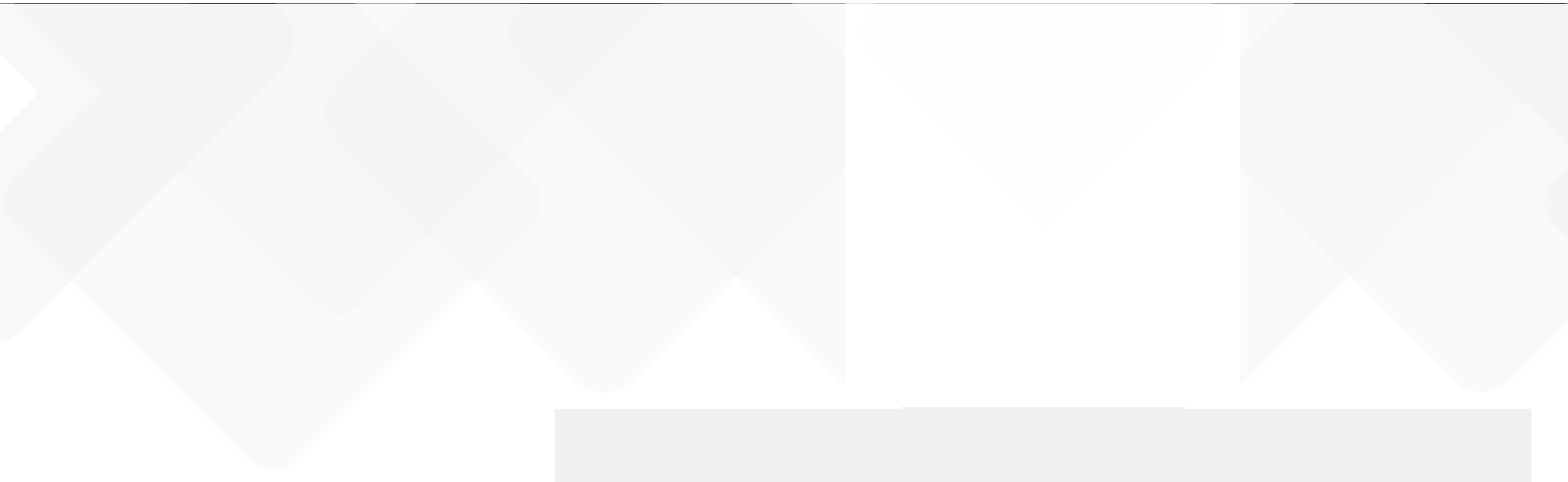


2012 FINANCIAL REPORT





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This report covers 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 20 August 2012. The directors have the power to amend and reissue the financial statements.

CORPORATE DIRECTORY

A.B.N. 47 009 259 081

DIRECTORS

William George Hames, BArch (Hons) MCU (Harvard) LFRAIA, MPIA, FAPI (Econ) – Chairman

Robert Stanley Brown, MAICD, AIFS – Deputy Chairman

Ronald Packer, BCom (UWA), 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

Ground Floor, 50 Colin Street

WEST PERTH WA 6005

Postal address: P.O. Box 788 West Perth WA 6872

Phone: (08) 9480 1500

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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, Fraser Avenue, West Perth WA 6005

Time: 11.00am

Date: Friday 2 November 2012

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 2012.

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 2012 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:

	2012 \$'000	2011 \$'000
Final fully franked ordinary dividend for the year ended 30 June 2011 of 12.0 cents (2010 - 8.0 cents) per share paid on 31 October 2011 (2011 - 29 October 2010)	7,150	4,852
Interim fully franked ordinary dividend for the year ended 30 June 2012 of 11.0 cents (2011 - 11.0 cents) per share paid on 30 April 2012 (2011 - 29 April 2011)	6,666	6,495
	13,816	11,347

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of \$10,106,532 (14 cents per share) to be paid on 31 October 2012 out of retained earnings at 30 June 2012.

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 2012:

2012 Highlights

- record net profit of \$34,250,000, up 22%;
- full year dividends of 25 cents per share, up 9%;
- earnings per share of 53.2 cents, up 16%;
- low level of bank debt;
- strong interest cover;
- \$110,000,000, 3-year bank facility extended to November 2014.

DIRECTORS' REPORT

2012 Financial Results Summary

YEAR ENDED 30 JUNE	2012 \$'000	2011 \$'000	% CHANGE
Revenue	170,474	131,839	+ 29.3
Net profit after tax	34,250	28,060	+ 22.1
Total assets	238,314	233,595	+ 2.0
Net bank debt	3,822	55,100	(93.1)
Shareholders' equity	184,626	129,549	+ 42.5

Key Performance Indicators

YEAR ENDED 30 JUNE		2012	2011	CHANGE
Basic earnings per share	¢	53.2	45.8	+ 16.1%
Dividends per share – fully franked	¢	25.0	23.0	+ 8.7%
Total shareholder return (1 year)	%	-5.3	71.0	(76.3%)
Net bank debt to equity – 30 June	%	2.1	42.5	(40.4%)
Interest cover	x	8.8	9.1	(3.3%)
Net asset backing per share – historical cost	\$	2.56	2.10	+ 21.9%
Shares on issue – end of year	'000	72,190	61,818	+ 16.8%
Stock market capitalisation at 30 June	\$'000	256,995	247,272	+ 3.9%
Share price at 30 June	\$	3.56	4.00	(11%)
Return on equity	%	18.6	21.7	(3.1%)
Return on capital	%	28.1	22.8	+ 5.3%

Operational Summary

In the 2012 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 2012 financial year and finished with a low net debt to equity of 2.1% at year end. Whilst this was below the group's target debt to equity range of 20%-75%, debt is expected to increase during the first half of FY2013 with debt to equity expected to move back within the target range.

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 joint ventures.

The group anticipates another profitable year in FY2013, underpinned by a significant bank of presales already in place at the date of this report.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the year were as follows:

Contributed equity increased by \$34,643,000 (from \$44,682,000 to \$79,325,000) as a result of the institutional placement, the share purchase plan and the issue of shares under the dividend reinvestment and bonus share plans. Details of the changes in contributed equity are set out in note 30 of the financial statements.

The net cash received from the issue of contributed equity was applied to debt reduction although it is expected that the group will redraw on its debt facility to fund new acquisitions and develop new estates on existing land holdings.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In August 2012 the group contracted to acquire land at Forrestdale, WA at a cost of \$4.72 million.

No other matters or circumstances have arisen since 30 June 2012 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-two 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

DIRECTORS' REPORT

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-four years.

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

Mr Ronald Packer BCom (UWA), 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 six 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. Prior to joining Cedar Woods, he was manager of the Bunnings Warehouse Property Trust and previously held roles with Wesfarmers Limited, Western Power and Barrack Mines. He is currently a Board member of the Brightwater Care Group, one of the largest providers of residential aged care in Western Australia and a Senate member of Murdoch University. Mr Sadleir has served as a director for nine 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 is 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 seventeen 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	9,314,668
Robert S Brown*	8,819,431
Ronald Packer	151,746
Paul S Sadleir	967,023
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 2012, 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:	8	4	4	3
Number of meetings attended by:				
W G Hames	7	*	*	3
R S Brown	8	4	4	3
R Packer	8	4	4	3
P S Sadleir	8	*	*	*
T R Brown (alternate director)	-	-	-	-

* Not a member of this committee

DIRECTORS' REPORT

15. REMUNERATION REPORT

The directors present the 2012 remuneration report which sets out remuneration information for the directors and other key management personnel.

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

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:

Nathan Blackburne – Victorian State Manager

Stuart Duplock – West Australian State Manager

Paul Freedman – Chief Financial Officer

Role of the Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is a committee of the Board. It is responsible for making recommendations to the Board on:

- non-executive director fees
- remuneration levels of the managing director and other key management personnel
- the over-arching executive remuneration framework and operation of incentive plans, and
- key performance hurdles for the executive team.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company. The Human Resources and Remuneration Committee periodically obtains independent remuneration information to ensure directors' fees and executive remuneration packages are appropriate and in line with the market (see page 10 below).

The Corporate Governance Statement provides further information on the role of this committee.

Non-executive director remuneration policy

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. 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:

	2012 \$	2011 \$
Chair	130,000	130,000
Deputy Chair	100,000	100,000
Other non-executive directors	70,000	70,000
Committee chair	10,000	10,000

Executive remuneration policy and framework

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.

Pay of Managing Director and other executives

The executive pay and reward framework has the following components:

- Base pay and benefits
- Short-term and long 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 remuneration 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.

DIRECTORS' REPORT

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. For senior executives, key accountabilities relate to operating, financial and employee management activities within their areas of control.

Operating measures include progress with planning and development of current projects, identification and acquisition of new projects, product positioning as well as ensuring compliance and risk management processes are operating effectively.

Financial measures include performance against budget and corporate plan targets, including sales revenues achieved, control of operating and capital costs and capital management.

Employee measures include recruitment, retention, training and development of staff, thereby ensuring the company is well resourced and positioned for growth.

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 2012 financial year and awarded bonuses reflecting the group's record results, which exceeded the earnings target.

Long-term incentives (LTI)

The group operates a retention incentive plan, which first commenced in FY2012, for key management personnel and other managers. The retention incentive is designed as a cash bonus opportunity that vests three years after award, based on company and individual performance criteria assessed in the first year and ongoing employment with the group for the remaining two years. The LTI is only available if the group meets a pre-determined earnings target.

If the employee leaves the group before the vesting date no bonus is paid, although the Board may waive this restriction at its discretion, for example when an employee retires.

In FY2012 a total of \$150,000 was awarded under the retention incentive plan, which will vest on 1 July 2014.

The group previously operated an Employee share plan, however this was discontinued in FY2009. For details of the operation of the plan please refer to note 42 of the financial statements.

Use of remuneration consultants

In FY2012 the Human Resources and Remuneration Committee employed KPMG as remuneration consultant to the Board to review the amount and elements of the remuneration of the Managing Director and key management personnel and provide recommendations in relation thereto.

Under the terms of the engagement, KPMG provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid \$23,000 for these services.

The engagement of KPMG by the Human Resources and Remuneration Committee was based on a documented set of protocols that would be followed by KPMG, members of the Human Resources and Remuneration Committee and members of the key management personnel for the way in which remuneration recommendations would be developed independently by KPMG and provided to the Human Resources and Remuneration Committee.

The protocols included the prohibition of KPMG providing advice or recommendations to key management personnel before the advice or recommendations was given to members of the Human Resources and Remuneration Committee and not unless KPMG had approval to do so from members of the Human Resources and Remuneration Committee.

These arrangements were implemented to ensure that KPMG would be able to carry out its work, including information capture and the formation of its recommendations, free from influence by members of the key management personnel about whom the recommendations may relate.

The Board is satisfied that the remuneration recommendations were made by KPMG free from influence by members of the key management personnel about whom the recommendations relate. The Board undertook its own inquiries and review of the processes and procedures followed by KPMG during the course of its assignment and is satisfied that its remuneration recommendations were made free from influence by the key management personnel.

These inquiries included arrangements under which KPMG was required to provide the Board with a summary of the way in which it carried out its work, details of its interaction with key management personnel in relation to the assignment and other services, and respond to questioning by members of the Board after the completion of the assignment.

Voting and comments made at the company's 2011 Annual General Meeting

At the company's 2011 Annual General Meeting, 26.7% of eligible votes cast were against the remuneration report.

The Board of Cedar Woods takes seriously the need to ensure that executive remuneration achieves an appropriate balance between the interests of shareholders and the need to attract and retain management who have the skills and expertise necessary to drive the company forward.

In accordance with best practice the Board has in place a Human Resources and Remuneration Committee with responsibility for developing and implementing remuneration policy in line with the principles contained in this report.

In respect of the Remuneration Report for 2011, it should be noted that the company did not receive any questions related to the report either before or at the AGM. Indeed, the company had not received any specific complaints in relation to its remuneration practices during 2011. The company's remuneration practices and report structure had not changed from the previous year, when the "no vote" was only 3.7%.

However, the company did receive a number of questions at the 2011 AGM in relation to a takeover approach in March 2011. In the Board's view, the large increase in "no votes" in relation to the Remuneration Report was more likely to represent a protest vote in relation to the outcome of that approach, than a genuine expression of dissatisfaction with the company's remuneration structure or reporting.

Notwithstanding this, the Board has, consistent with best practice and its obligations under the Corporations Act, requested the Human Resources and Remuneration Committee to again consider the appropriateness of the company's remuneration structure. The Committee, having had regard to a number of factors including the size of the company, the nature of its operations and conditions in the executive employment market pertaining to its industry, and having obtained expert advice, has confirmed its view that the company's remuneration structure is reasonable and appropriate.

Further details of the long term incentive plan have been provided in this year's remuneration report in response to shareholder feedback on the 2011 remuneration report.

Performance of Cedar Woods Properties Limited

In FY2011, the group delivered a record profit of \$28.06 million.

In FY2012, the group delivered a new record profit of \$34.25 million, up 22.1%, and growth in earnings per share of 16.1%.

The returns to shareholders of Cedar Woods Properties Limited over the last 1, 3 and 5 years is reflected in the table below:

RETURNS TO SHAREHOLDERS OVER 1, 3 AND 5 YEARS	1 YEAR	3 YEARS	5 YEARS
Earnings per share growth %	16	49	9
Share price growth %	-11	36	-7
Dividend growth % (paid dividend)	9	53	8
Total shareholder return (change in share price and dividends)%	-5	43	-2

DIRECTORS' REPORT

The total shareholder return in FY2012 was -5.3%, which compared favourably with the All Ordinaries total return of -7% over the same period.

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 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 and Long-term incentives above. All other elements of remuneration in the tables are fixed.

Directors of Cedar Woods Properties Limited

2012	SHORT-TERM BENEFITS			POST EMPLOYMENT	LONG TERM BENEFITS	TOTAL
	CASH SALARY AND FEES \$	CASH BONUS \$	NON-MONETARY BENEFITS \$	SUPER-ANNUATION \$	CASH BONUS \$	
NAME						
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	651,239	285,000	8,003	48,761	-	993,003
Total	915,917	285,000	8,003	114,083	-	1,323,003

2011	SHORT-TERM BENEFITS			POST EMPLOYMENT	LONG TERM BENEFITS	TOTAL
	CASH SALARY AND FEES \$	CASH BONUS \$	NON-MONETARY BENEFITS \$	SUPER-ANNUATION \$	CASH BONUS \$	
NAME						
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

Key management personnel

2012	SHORT-TERM BENEFITS			POST EMPLOYMENT	LONG TERM BENEFITS	TOTAL
	CASH SALARY AND FEES \$	CASH BONUS \$	NON-MONETARY BENEFITS \$	SUPER-ANNUATION \$	CASH BONUS \$	
NAME						
N Blackburne	309,225	65,000	8,926	15,775	30,000	428,926
P Freedman	279,225	45,000	1,191	35,775	20,000	381,191
S Duplock	274,225	45,000	2,221	15,775	30,000	367,221
Total	862,675	155,000	12,338	67,325	80,000	1,177,338

2011	SHORT-TERM BENEFITS			POST EMPLOYMENT	LONG TERM BENEFITS	
NAME	CASH SALARY AND FEES \$	CASH BONUS \$	NON-MONETARY BENEFITS \$	SUPER-ANNUATION \$	CASH BONUS \$	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
S Duplock	234,801	37,000	1,580	15,199	-	288,580
Total	761,421	124,000	8,724	50,597	-	944,742

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

NAME	2012			2011	
	FIXED REMUNERATION %	AT RISK – STI %	AT RISK – LTI %	FIXED REMUNERATION %	AT RISK – STI %
P Sadleir	70	30	0	73	27
N Blackburne	78	15	7	86	14
P Freedman	82	13	5	88	12
S Duplock	79	13	8	87	13

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 annual performance-related short-term and long-term cash bonuses. 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 annual performance-related short-term and long-term cash bonuses, the payment of certain professional memberships and previously participation in the Cedar Woods' Employee Share Scheme when it was in operation. N Blackburne was also provided car parking in addition to his 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.

Bonuses vested and forfeited

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 2012 STI bonuses will be paid in FY2013 and the 2012 LTI bonuses will be paid in FY2015.

DIRECTORS' REPORT

	2012 STI AND LTI BONUS VESTED %	2012 STI AND LTI BONUS FORFEITED %	2011 STI BONUS VESTED %	2011 STI BONUS FORFEITED %
P S Sadleir	95	5	100	0
N Blackburne	100	0	100	0
P Freedman	93	7	100	0
S Duplock	94	6	100	0

16. RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr William Hames 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' liabilities 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 41 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 16.

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
20 August 2012

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Cedar Woods Properties Limited for the year ended 30 June 2012, 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.

A handwritten signature in black ink, appearing to read 'PD', written over a light gray background.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
20 August 2012

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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 second edition of 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. monitoring progress in relation to the group's diversity objectives and compliance with its diversity policy;
8. ensuring that the company and its subsidiaries act legally and responsibly on all matters and that the highest ethical standards are maintained;
9. appointing, terminating and reviewing the performance of the Managing Director;
10. ratifying the appointment and, where appropriate, removal of the Chief Financial Officer and the Company Secretary; and
11. reporting to shareholders.

A performance assessment for senior executives takes place twice annually. The process for these evaluations is described on the company's website.

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. the Board is to establish measurable objectives for Board gender diversity and assess annually the objectives and progress in achieving them;
4. a majority of the Board should be non-executive; and
5. 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.

CORPORATE GOVERNANCE STATEMENT

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 2001;
- 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 as required by Principles and Recommendations 2.6, are set out in the directors' report starting on page 3 of the financial report. 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 8 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 39 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 and experience are represented on the Board;
- overseeing processes in relation to meeting diversity objectives for 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, diversity, 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.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming 2 to 3 years as director and senior executive positions become vacant and appropriately skilled candidates are available:

CORPORATE GOVERNANCE STATEMENT

	OBJECTIVE	ACTUAL	
	%	NUMBER	%
Number of women employed in the whole organisation	40	22	46
Number of women in management positions	30	3	21
Number of women in senior executive positions	20	-	-
Number of women on the Board	20	-	-

Responsibility for diversity has been included in the Board charter, the nomination committee charter (Board diversity) and the human resources & remuneration committee charter (diversity at all levels of the company below Board level).

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.

All members of the Audit and Risk Management Committee are financially literate and have an appropriate understanding 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 and will be rotated after the 2012 annual general meeting.

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in note 41 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 2001, that the company's financial statements present a true and fair view, in all material respects, of the consolidated entity'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, including overseeing processes in relation to meeting diversity objectives for executives and staff below Board level.

Further information on directors' and executives' remuneration is set out in section 15 of the directors' report.

INDEPENDENT AUDITOR'S 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 2012, 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.

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

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

Independence

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

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 2012 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 8 to 14 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
20 August 2012

DIRECTORS' DECLARATION

In the directors' opinion:

- a. the financial statements and notes set out on pages 25 to 61 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 2012 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
20 August 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	CONSOLIDATED	
		2012	2011
		\$'000	\$'000
Revenue from operations			
Cost of sales	3	170,474	131,839
Gross margin		(94,426)	(68,566)
Other income	3	76,048	63,273
Other expenses:			
Project operating costs		1,775	85
Occupancy		(12,765)	(11,555)
Administration		(564)	(507)
Finance costs	4	(10,638)	(8,810)
Share of net losses of associate accounted for using the equity method	16	(3,819)	(1,866)
Profit before income tax		(764)	(380)
		49,273	40,240
Income tax expense	5	(15,023)	(12,180)
Profit for the year	32, 37	34,250	28,060
Total comprehensive income for the year		34,250	28,060
Total comprehensive income attributable to members of Cedar Woods Properties Limited		34,250	28,060
Earnings per share for profit attributable to the ordinary owners of the company:			
Basic and diluted earnings per share	37	53.2 cents	45.8 cents

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2012

	NOTE	CONSOLIDATED	
		2012	2011
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	366	351
Trade and other receivables	8	2,779	3,958
Inventories	9	63,454	46,558
Deferred development costs	10	4,244	9,529
Assets classified as held for sale	11	823	-
Derivative financial instruments	12	-	35
Total current assets		71,666	60,431
Non-current assets			
Receivables	13	8,504	8,911
Inventories	14	144,842	155,840
Deferred development costs	15	3,259	1,741
Investments accounted for using the equity method	16	2,613	3,377
Available-for-sale financial assets	17	6,189	15
Derivative financial instruments	12	-	231
Property, plant and equipment	18	1,241	954
Investment properties	19	-	2,045
Other	21	-	50
Total non-current assets		166,648	173,164
Total assets		238,314	233,595
LIABILITIES			
Current liabilities			
Trade and other payables	22	16,179	33,546
Current tax liabilities	23	11,734	4,760
Provisions	24	5,079	4,457
Total current liabilities		32,992	42,763
Non-current liabilities			
Borrowings	25	4,188	55,451
Other financial liabilities	26	10,994	-
Deferred tax liabilities	27	3,194	5,337
Provisions	28	155	88
Derivative financial instruments	12	2,165	407
Total non-current liabilities		20,696	61,283
Total liabilities		53,688	104,046
Net assets		184,626	129,549
EQUITY			
Contributed equity	30	79,325	44,682
Reserves	31	597	662
Retained profits	32	104,704	84,205
Total equity		184,626	129,549

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED	NOTE	CONTRIBUTED EQUITY	RESERVES	RETAINED PROFITS	TOTAL
		\$'000	\$'000	\$'000	\$'000
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 and tax	30	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	31	-	(189)	-	(189)
		4,235	(212)	(11,324)	(7,301)
Balance at 30 June 2011		44,682	662	84,205	129,549
Balance at 1 July 2011		44,682	662	84,205	129,549
Profit for the year		-	-	34,250	34,250
Total comprehensive income for the year		-	-	34,250	34,250
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and taxes	30	34,643	-	-	34,643
Transfers from reserves to retained profits		-	(65)	65	-
Dividends provided for or paid	6	-	-	(13,816)	(13,816)
		34,643	(65)	(13,751)	20,827
Balance at 30 June 2012		79,325	597	104,704	184,626

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	CONSOLIDATED	
		2012	2011
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		184,328	143,798
Payments to suppliers and employees (incl. GST)		(38,593)	(40,128)
Payments for land and development		(97,401)	(102,348)
Interest received		771	467
Borrowing costs paid		(6,004)	(4,715)
Income taxes paid		(9,907)	(5,588)
Net cash inflows (outflows) from operating activities	33	33,194	(8,514)
Cash flows from investing activities			
Proceeds from sale of available-for-sale financial assets		8	-
Proceeds from sale of investment properties		2,640	-
Proceeds from repayment of employee share loans		-	4
Repayments by (loan to) associated entity		2,000	(18)
Payments for available-for-sale financial assets		(6,000)	-
Payments for property, plant and equipment		(843)	(138)
Net cash outflows from investing activities		(2,195)	(152)
Cash flows from financing activities			
Proceeds from borrowings		-	15,787
Repayment of borrowings		(49,608)	-
Proceeds from share placement		25,013	-
Proceeds from share purchase plan		5,536	-
Payment of share issue expenses		(951)	-
Dividends paid	6	(10,974)	(7,297)
Net cash (outflows) inflows from financing activities		(30,984)	8,490
Net increase (decrease) in cash and cash equivalents		15	(176)
Cash and cash equivalents at the beginning of the financial year		351	527
Cash and cash equivalents at the end of the financial year	7	366	351

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012

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 and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Cedar Woods Properties Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Cedar Woods Properties Limited group also comply with 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 2012 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.

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 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 or receivable and is recognised net of discounts and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Sale of land and buildings

Revenue arising from the sale of land and buildings 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period.

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

Since 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. 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 revalued assets are sold, it is policy to transfer any amounts included in reserves in respect of those assets to retained earnings.

The acquisition of land is recognised when an unconditional purchase contract exists.

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 21). 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) Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value, less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal) is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(j) 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.

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.

(k) 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. Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(l) 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(m) 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 if they are expected to be settled within 12 months, otherwise they are classified as non-current.

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.

Available-for sale financial assets

Available-for-sale financial assets, comprising marketable equity securities and other 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. Available-for-sale financial assets are carried at fair value. Changes in the fair value not arising from impairment or interest are recognised in other comprehensive income.

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. In the case of loans and receivables, the cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(n) 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.

When the company elects to dispose of investment property, it is presented as assets classified as held for sale (note 11) in the balance sheet where it meets the relevant criteria.

(o) 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 42. 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.

(p) 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. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) 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 34). 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.

(r) 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.

(s) 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.

(t) 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.

(u) Maintenance

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

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(w) 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.

(x) 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.

(y) 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.

(z) 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.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. The application of the standard at the operative date is not expected to have a significant impact on the group's accounting for financial assets and liabilities. The group does not expect to adopt AASB 9 before its operative date.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the Australian Accounting Standards Board issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The standard introduces a new definition of control that applies to all entities, however as all of Cedar Woods Properties Limited's subsidiary entities are 100% owned, control is absolute and hence the change in definition is not expected to have a significant impact on the composition of the group for financial reporting purposes.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Within the Cedar Woods group certain subsidiaries have entered into developments with State government entities that may be classified as joint operations under the standard. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard, hence no material impact on the accounting for joint arrangements is expected.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11 and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The group currently has few assets measured at fair value and therefore does not expect any material impact of the new rules on the financial statements. The application of the standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

(ab) 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.

(ac) Parent entity financial information

The financial information for the parent entity, Cedar Woods Properties Limited, disclosed in note 45 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. 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 or presentation 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. 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(s). 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	
	2012	2011
	\$'000	\$'000
From operations		
Revenue		
Sale of land and buildings	165,060	127,316
Management fees and commissions	2,467	1,975
Interest	2,369	2,007
Lease income	578	541
Total revenue	170,474	131,839
Other income		
Net gain on disposal of investment properties	1,271	-
Sundry income	504	85
	1,775	85

4. EXPENSES

Profit before income tax expense includes the following specific expenses:

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Finance costs		
Interest and finance charges	5,790	4,439
Calculated using effective interest method	152	775
Unrealised financial instrument losses	2,024	651
Less: amount capitalised	(4,147)	(3,999)
Finance costs expensed	3,819	1,866
Net loss on disposal of property, plant and equipment	194	4
Rental expense relating to operating leases		
Minimum lease payments	687	848
Other provisions		
Employee benefits	228	78
Customer rebates	1,957	1,732
Superannuation funds – defined contribution	551	459
Depreciation of property, plant and equipment	203	198
Depreciation of investment property	11	49
Employee benefits expense	7,162	5,865
Write down of assets		
Option fees and related costs	50	-
Inventory	779	827
Trade debtor	-	9
Investments	6	-

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 6.56% (2011 – 6.48%) per annum. Where qualifying assets are financed by specific facilities, the applicable borrowing costs of those facilities are capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAX

(a) Income tax expense

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Current tax	16,896	8,413
Deferred tax	(1,858)	3,794
Adjustments for current tax of prior periods	(15)	(27)
Income tax expense attributable to profit	15,023	12,180
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 20)	(1,189)	1,447
(Decrease) increase in deferred tax liabilities (note 27)	(669)	2,347
	(1,858)	3,794

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

Profit before income tax	49,273	40,240
Tax at the Australian tax rate of 30% (2011 – 30%)	14,782	12,072
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share of net loss of associated entity	229	114
- Sundry items	27	21
	256	135
Adjustments for current tax of prior periods	(15)	(27)
Income tax expense	15,023	12,180

(c) Tax losses

At 30 June 2012 the consolidated entity had carried forward capital tax losses of \$191,000 (2011 – \$191,000) for which no deferred tax asset has been recognised.

6. DIVIDENDS – Ordinary Shares

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Fully franked based on tax paid @ 30%		
Final dividend for the year ended 30 June 2011 of 12.0 cents (2010 – 8.0 cents) per fully paid share, paid on 31 October 2011 (2010 – 29 October 2010)		
- Paid in cash	5,706	2,593
- Satisfied by shares under the dividend reinvestment plan	1,441	2,257
- Applied to the employee share loans	3	2
Interim dividend for the year ended 30 June 2012 of 11.0 cents (2011 – 11.0 cents) per fully paid share, paid on 30 April 2012 (2011 – 29 April 2011)		
- Paid in cash	5,268	4,704
- Satisfied by shares under the dividend reinvestment plan	1,396	1,789
- Applied to the employee share loans	2	2
Total	13,816	11,347
Dividends not recognised at year end	10,107	7,418

In addition to the dividends paid during the year, since year end the directors have recommended the payment of a final dividend of 14 cents per ordinary share (2011 - 12 cents), fully franked based on tax paid at 30% (2011: 30%). The above is the aggregate amount of the proposed dividend expected to be paid on 31 October 2012 out of retained profits at 30 June 2012, but not recognised as a liability at year end.

The franked portions of dividends proposed at 30 June 2012 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%)

CONSOLIDATED	
2012	2011
\$'000	\$'000
43,895	33,619

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 \$4,331,000 (2011 - \$3,179,000).

7. CURRENT ASSETS – Cash and cash equivalents

CONSOLIDATED	
2012	2011
\$'000	\$'000
Cash at bank and in hand	366
	351
	366
	351

Cash at bank includes cash held in day to day bank transaction accounts earning interest from 0 to 2.50% (2011: 0 – 4.00%) per annum depending on the balances.

The Group's exposure to interest rate risk is discussed in note 43. 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	
2012	2011
\$'000	\$'000
Trade receivables	1,302
Other receivables	577
Prepayments	900
	2,779
	3,958

Trade and other receivables include interest and non-interest bearing receivables (see note 43). 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 2012 (2011 – \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. CURRENT ASSETS – Inventories

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Property held for resale		
- land at cost	19,007	9,854
- at valuation 30 June 1992	174	114
- capitalised development costs	41,006	32,826
- at net realisable value	3,267	3,764
	<u>63,454</u>	<u>46,558</u>

Current assets pledged as security

Refer to note 25 for information on current assets pledged as security by the parent entity or its controlled entities.

10. CURRENT ASSETS – Deferred development costs

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Deferred development costs	21,778	15,471
Deferred development costs recovered	(17,534)	(5,942)
	<u>4,244</u>	<u>9,529</u>

11. CURRENT ASSETS – Assets classified as held for sale

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Current assets held for sale		
Investment properties		
- at cost	915	-
- less accumulated depreciation	(92)	-
	<u>823</u>	<u>-</u>

In September 2011, the directors of the consolidated entity resolved to dispose of 8 commercial units held by the consolidated entity. At balance date 5 of the commercial units had been sold and 3 units remained for sale. Refer to note 3 for details of the net gain on the sale of investment properties during the financial year.

Management considered the fair value of assets classified as held for sale at 30 June 2012 to be \$1,228,000. This valuation was based on internal assessments and current sales evidence.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Current assets		
Interest rate swap contracts	-	35
Non-current assets		
Interest rate cap contracts	-	2
Interest rate swap contracts	-	229
	-	266
Non-current liabilities		
Interest rate swap contracts	2,165	407
	(2,165)	(141)

(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

The bank loan currently bears a variable interest rate of 5.43% per annum (2011 – 6.96% per annum). It is the group's policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly the consolidated entity has entered into interest rate cap and swap contracts under which a significant part of the consolidated entity's projected borrowings are protected for the period from 1 July 2012 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 100% (2011 - 70%) of the variable loans outstanding at balance date, with terms expiring in 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 100% (2011 – 55%) of the variable loans outstanding at balance date, with terms expiring in 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.

13. NON-CURRENT ASSETS – Receivables

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Loans – employee share scheme (note 42)	45	51
Loan to associated company	9,494	9,895
Provision for impairment on loan to associated company	(1,035)	(1,035)
	8,504	8,911

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 (2011: \$1,035,000) remains.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. NON-CURRENT ASSETS – Inventories

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Property held for resale		
- land at cost	102,945	110,368
- at valuation 30 June 1992	1,252	1,426
- capitalised development costs	35,706	38,182
- at net realisable value	4,939	5,864
	<u>144,842</u>	<u>155,840</u>
Current inventory (note 9)	63,454	46,558
Non-current inventory – as above	144,842	155,840
Aggregate carrying amount	<u>208,296</u>	<u>202,398</u>

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 25 for information on non-current assets pledged as security by the parent entity or its controlled entities.

15. NON-CURRENT ASSETS - Deferred development costs

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Deferred development costs	3,259	1,741
	<u>3,259</u>	<u>1,741</u>

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

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Unlisted securities		
Shares in associates	2,613	3,377
	<u>2,613</u>	<u>3,377</u>
Cedar Woods Wellard Limited		
Movements in carrying amounts		
At start of the year	3,377	3,757
Share of losses after income tax	(764)	(380)
At end of the year	<u>2,613</u>	<u>3,377</u>
Loss before income tax	720	542
Income tax expense (benefit)	44	(162)
Loss after income tax	<u>764</u>	<u>380</u>
Share of associate's revenue, assets, liabilities and contingent liabilities		
Revenue	3,889	4,506
Assets	12,368	14,192
Liabilities	(9,110)	(10,169)
Contingent liabilities (bank guarantees)	(223)	-

The consolidated entity owns a 32.5% (2011 – 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia.

The consolidated entity acquired 100 ordinary units for \$1 each (a 50% interest in the ordinary units) in the BCM Apartment Trust (BCM) on 30 March 2012, which owns the Batavia Coast Marina Apartments project in Geraldton. Refer to note 17 for details. The consolidated entity also acquired 10 ordinary shares for \$1 each (a 50% interest) in Champion Bay Nominees Pty Ltd, the trustee of BCM, on 30 March 2012. The consolidated entity's interest in the ordinary units do not entitle it to a share of the revenue, profit/loss and net assets of BCM.

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

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Listed securities		
Equity securities	-	15
	-	15
Unlisted unit		
Special unit in unit trust	6,189	-
	6,189	-

Unlisted securities

Refer to note 43 for further information about the methods used and assumptions applied in determining fair value of unlisted securities.

For the purposes of the Batavia Coast Marina Apartments project in Geraldton, WA the consolidated entity acquired 100 ordinary units for \$1 each and 1 special unit (class B) for \$6,000,000 in BCM Apartment Trust (BCM) on 30 March 2012. The ordinary units are disclosed as an interest in associate in note 16 and the 1 special unit (class B) is disclosed as an available-for-sale financial asset above.

Fair value of the 1 special unit (class B) equated to cost, inclusive of transactions expenses, at year end. Under the BCM trust deed the 1 special unit (class B) entitles the consolidated entity to a fixed return upon the repurchase of the 1 special unit (class B) at cost.

Non-current assets pledged as security

Refer to note 25 for information on non-current assets pledged as security by the parent entity or its controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. NON-CURRENT ASSETS – Property, plant and equipment

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Buildings at Cost		
At start of the year	19	19
Assets disposed	(19)	-
At end of the year	-	19
Accumulated depreciation on Buildings		
At start of the year	4	4
Charge for year	-	-
Assets disposed	(4)	-
At end of the year	-	4
Net book value	-	15
Plant and Equipment at Cost		
At start of the year	2,136	2,010
Additions	683	138
Assets disposed	(221)	(12)
At end of the year	2,598	2,136
Accumulated depreciation on Plant and Equipment		
At start of the year	1,197	1,007
Charge for year	203	198
Assets disposed	(43)	(8)
At end of the year	1,357	1,197
Net book value	1,241	939
Total property, plant and equipment	1,241	954

Non-current assets pledged as security

Refer to note 25 for information on non-current assets pledged as security by the parent entity or its controlled entities.

19. NON-CURRENT ASSETS – Investment properties

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Cost		
At start of the year	2,257	2,257
Assets acquired	159	-
Assets sold	(1,501)	-
Assets classified as held for sale (note 11)	(915)	-
At end of the year	-	2,257
Depreciation		
At start of the year	212	163
Charge for year	11	49
Assets sold	(131)	-
Assets classified as held for sale (note 11)	(92)	-
At end of the year	-	212
Net book value	-	2,045

Investment properties at 30 June 2011 that were not sold during the year ended 30 June 2012 have been reclassified to assets classified as held for sale at 30 June 2012 due to their change of nature.

Management considered the fair value of investment properties at 30 June 2011 to be \$4,195,000. This valuation was based on independent valuations obtained during the financial year.

Details of leasing arrangements and amounts recognised in the profit and loss for the ended 30 June 2012 below, relate to the full income year including the period the investment properties were reclassified to assets held for sale.

Leasing arrangements

Five investments properties were sold during the year and the three remaining properties are expected to be sold within the next financial year.

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

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Lease commitment		
Within one year	28	225
Later than one year but not later than 5 years	-	531
Later than 5 years	-	167
	28	923

Amounts recognised in profit and loss for investment properties

Rental income	272	312
Direct operating expenses from property that generated investment income	69	109
Direct operating expenses from property that did not generate investment income	23	54

Non-current assets pledged as security

Refer to note 25 for information on non-current assets pledged as security by the parent entity or its controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. NON-CURRENT ASSETS – Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Employee benefits	534	376
Provision for customer rebates	1,335	1,197
Borrowing costs	426	99
Change in value of derivative financial instruments	712	105
Provision for impairment on loan to associate	311	311
Other	39	18

Amounts recognised directly in equity

Share issue expenses	237	14
Total deferred tax assets	3,594	2,120
Set-off of deferred tax assets pursuant to set-off provisions	(3,594)	(2,120)
Net deferred tax assets	-	-
Deferred tax assets at 1 July	2,120	3,567
Increase (decrease) in deferred tax assets (credited) debited to income tax expense (note 5)	1,189	(1,447)
Increase in deferred tax assets (credited) to equity	285	-
Deferred tax assets at 30 June	3,594	2,120
Deferred tax assets expected to be recovered within 12 months	1,884	1,556
Deferred tax assets expected to be recovered after more than 12 months	1,710	564
	3,594	2,120

21. NON-CURRENT ASSETS – Other

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Options over land at cost	-	50
	-	50

Options exist from time to time over a number of land holdings. At 30 June 2011 one option existed and this option expired during the year ended 30 June 2012.

22. CURRENT LIABILITIES – Trade and other payables

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Trade payables	6,682	5,520
Accruals	7,284	6,377
GST payable	2,017	239
Other payables	196	-
Other – vendors of land	-	21,410
	16,179	33,546

23. CURRENT LIABILITIES – Current tax liabilities

	CONSOLIDATED	
	2012	2011
Income tax	\$'000	\$'000
	11,734	4,760

24. CURRENT LIABILITIES – Provisions

	CONSOLIDATED	
	2012	2011
Employee benefits	\$'000	\$'000
	626	465
Dividends	2	2
Customer rebates	4,451	3,990
	5,079	4,457

Movements in provisions are shown at note 29.

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

25. NON-CURRENT LIABILITIES – Borrowings

	CONSOLIDATED	
	2012	2011
Bank loans – secured	\$'000	\$'000
	4,499	56,029
Facility fees capitalised (amortised over the period of facility)	(799)	(799)
Amortisation of facility fees	488	221
	4,188	55,451

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 \$4,499,000 provided by ANZ Bank (2011 - \$56,029,000) 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	
	2012	2011
	\$'000	\$'000
Bank facilities		
Total facilities (loan and guarantees)	110,000	110,000
Used at balance date	11,077	60,522
Unused at balance date	98,923	49,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated entity has a \$110,000,000 finance facility with ANZ Bank. The facility expiry date is 30 November 2014, which is extendable for a further year subject to review by the bank in November 2012. 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 (2011 - \$10,000,000) bank guarantee facility subject to similar terms and conditions, which was drawn to an amount of \$6,578,000 at 30 June 2012 (2011 - \$4,493,000). The interest on the corporate loan facility is variable and at 30 June 2012 was 5.43% per annum (2011 - 6.96%).

Details of the group's exposure to risk arising from current and non-current borrowings are set out in note 43.

26. NON-CURRENT LIABILITIES – Other financial liabilities

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Due to vendor of St Albans property under contract of sale	10,994	-
	10,994	-

27. NON-CURRENT LIABILITIES – Deferred tax liabilities

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Borrowing costs	3,036	2,733
Deferred development costs	2,062	3,364
Interest receivable	1,252	772
Other	182	304
	6,532	7,173
<i>Amounts recognised directly in equity</i>		
Revaluation reserve	256	284
Total deferred tax liabilities	6,788	7,457
Set off of deferred tax assets pursuant to set-off provisions	(3,594)	(2,120)
Net deferred tax liabilities	3,194	5,337
Deferred tax liabilities at 1 July	7,457	5,110
(Decrease) increase in deferred tax liabilities (credited) debited to income tax expense (note 5)	(669)	2,347
Deferred tax liabilities at 30 June	6,788	7,457
Deferred tax liabilities expected to be settled within 12 months	2,746	3,954
Deferred tax liabilities expected to be settled after more than 12 months	4,042	3,503
	6,788	7,457

28. NON-CURRENT LIABILITIES – Provisions

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Employee benefits	155	88
	155	88

29. MOVEMENTS IN CURRENT PROVISIONS

	CUSTOMER REBATES	MONITORING AND SURVEYS	TOTAL
	\$'000	\$'000	\$'000
Consolidated – 2012			
Carrying amount at start of year	3,990	-	3,990
Charged/(credited) to profit or loss	1,957	-	1,957
Payments	(1,496)	-	(1,496)
Carrying amount at end of year	4,451	-	4,451
Consolidated – 2011			
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

30. CONTRIBUTED EQUITY

	2012	2011	2012	2011
	SHARES	SHARES	\$'000	\$'000
Start of the financial year	61,817,936	60,564,676	44,682	40,447
Shares issued pursuant to the dividend reinvestment plan:				
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
Ordinary shares issued on 31 October 2011 at \$3.49	963,522	-	3,363	-
Transaction costs arising on share issue	-	-	(50)	-
Ordinary shares issued on 30 April 2012 at \$3.45	404,739	-	1,396	-
Share issued pursuant to the bonus share plan:				
Ordinary shares issued on 29 April 2011	-	54,522	-	-
Ordinary shares issued on 31 October 2011	76,867	-	-	-
Ordinary shares issued on 30 April 2012	71,877	-	-	-
Shares issued under the employee share plan:				
Ordinary shares issued on 3 September 2010 at \$2.24	-	84,733	-	189
Shares issued under institutional placement:				
Ordinary shares issued on 11 April 2012 at \$3.45	7,250,000	-	25,013	-
Transaction costs arising on share issue	-	-	(615)	-
Shares issued under shareholder purchase plan:				
Ordinary shares issued on 18 May 2012 at \$3.45	1,604,573	-	5,536	-
	10,371,578	1,253,260	34,643	4,235
End of the financial year	72,189,514	61,817,936	79,325	44,682

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. RESERVES

Composition

- a) Asset revaluation reserve (pre 1992)
- b) Employee share plan reserve

Movements

- a) Asset revaluation reserve

Balance at the beginning of the financial year

Transfer to retained profits (note 32)

Balance at the end of the financial year

- b) Employee share plan reserve

Balance at the beginning of the financial year

Employee share plan expense

Balance at the end of the financial year

CONSOLIDATED	
2012	2011
\$'000	\$'000
597	662
-	-
597	662
662	685
(65)	(23)
597	662
-	189
-	(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).

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 2012.

32. RETAINED PROFITS

Retained profits at the start of the financial year

Net profit attributable to members of Cedar Woods Properties Limited

Transfers from reserves (note 31)

Dividends provided for or paid (note 6)

Retained profits at the end of the financial year

CONSOLIDATED	
2012	2011
\$'000	\$'000
84,205	67,469
34,250	28,060
65	23
(13,816)	(11,347)
104,704	84,205

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

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Profit after income tax	34,250	28,060
Depreciation	215	247
Loss on sale of non-current assets	194	3
Gain on sale of investment properties	(1,271)	-
Write down of assets	7	-
Fair value loss on derivative financial instrument	2,024	651
Accrued interest on receivables	(1,598)	(1,540)
Share of loss in equity accounted investment	764	380
<i>Changes in operating assets and liabilities</i>		
Increase in provisions for employee benefits	228	78
Increase (decrease) in provisions	461	(1,116)
Decrease (increase) in deferred development costs	5,285	(4,913)
Increase in inventories	(5,898)	(17,624)
Increase in options over land and other capitalised costs	(1,468)	(1,558)
(Increase) decrease in deferred tax assets	(1,189)	1,447
Increase in current income tax payable	6,974	2,798
(Decrease) increase in deferred tax liability	(669)	2,347
Decrease (increase) in capitalised borrowing costs	267	(577)
Decrease (increase) in debtors	1,179	(3,207)
Decrease in creditors	(6,561)	(13,990)
Net cash inflows (outflows) from operating activities	33,194	(8,514)

34. COMMITMENTS FOR EXPENDITURE

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

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
Within 1 year	708	728
Later than 1 year but not later than 5 years	1,864	1,553
	2,572	2,281

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 2012 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 \$12,282,000 (2011 - \$10,800,000) and for building construction was \$10,997,000 (2011 - \$6,500,000). This work will be substantially completed in the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SEGMENT INFORMATION

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

The board has considered the business from both a product and a geographic perspective and has determined that 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.

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

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

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.

36. 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	
		2012	2011
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%
Jarraah 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%

37. EARNINGS PER SHARE

	2012	2011
Basic earnings per share (cents)	53.2	45.8
Diluted earnings per share (cents)	53.2	45.8
Net profit attributable to the ordinary owners of the company (\$'000)	34,250	28,060
<i>Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share and diluted earnings per share</i>	64,389,675	61,202,812

38. CONTINGENT LIABILITIES

At 30 June 2012 bank guarantees totalling \$6,578,000 (2011 - \$4,493,000) had been provided to various state and local authorities supporting development and maintenance commitments.

39. 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

	CONSOLIDATED	
	2012	2011
	\$	\$
Short-term employee benefits	2,238,933	2,027,722
Post employment benefits	181,408	164,680
Long-term employee benefits	80,000	-
	2,500,341	2,192,402

Detailed remuneration disclosures are provided in the remuneration report starting on page 8 of the Directors' 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.

2012	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†	8,937,416	482,422	9,419,838
Robert S Brown*	9,640,313	(817,882)	8,822,431
Ronald Packer	134,024	17,722	151,746
Paul S Sadleir	984,758	75,032	1,059,790
Timothy S Brown (alternate for R S Brown)	5,027,176	-	5,027,176
Other key management personnel of the consolidated entity			
Paul S Freedman	141,359	4,496	145,855
Nathan J Blackburne	114,481	4,058	118,539
Stuart A Duplock	10,233	5,036	15,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2011	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
Nathan J Blackburne	109,033	5,448	114,481
Stuart A Duplock	10,000	233	10,233

†Includes 2,014,439 (2011 - 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
2012	-	-	-	-	-
2011	4,531	-	47	-	-

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

In 2012, there were no loans to individuals that exceeded \$100,000 at any time (2011 – 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

The consolidated entity uses a number of firms for architectural, urban design and planning services. 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 and fees paid were consistent with market rates.

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.

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

	2012	2011
	\$	\$
Amounts recognised as expense		
Creative design services	34,492	10,439
Settlement fees	28,845	28,025
	<u>63,337</u>	<u>38,464</u>
Amounts recognised as inventory		
Architectural fees	1,492,139	363,472
	<u>1,492,139</u>	<u>363,472</u>

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	1,492,139	363,472
	<u>1,492,139</u>	<u>363,472</u>

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	-	169,042
	<u>-</u>	<u>169,042</u>

40. RELATED PARTIES

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 39.

(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 36.

(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 \$1,020,400 (2011 - \$1,296,450) 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% (2011 - 32.5%) by the group. The guarantee has been given in relation to performance undertakings given by CWWL. No amount (2011 - nil) was advanced in relation to this guarantee during the year as part of an interest bearing loan to CWWL, with interest charged at 15%-17% (2011 - 17%).

Cedar Woods Properties Limited has also provided bank guarantees (contingent instruments) to various state and local authorities on CWWL's behalf totalling \$30,700 (2011 - \$120,000) supporting CWWL's development and maintenance commitments. CWWL meets the bank's cost of issuing these bank guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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:

	2012	2011
	\$	\$
Current receivables (sales of goods and services)		
Cedar Woods Wellard Limited	1,111	1,729
	<u>1,111</u>	<u>1,729</u>
Current payables (purchases of goods)		
Hames Sharley Architects	-	169,042
	<u>-</u>	<u>169,042</u>

(g) Loans to related parties

Loan to Cedar Woods Wellard Limited

Beginning of the year	9,895,259	8,337,179
Loans advanced	-	18,640
Loan repayments received	(2,000,000)	-
Interest charged	1,598,482	1,539,440
End of year	<u>9,493,741</u>	<u>9,895,259</u>

41. 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:

	2012	2011
	\$	\$
PricewaterhouseCoopers – Australian firm		
Assurance services		
- Audit and review of the financial statements of the parent entity and controlled entities	157,519	140,250
Non-audit services		
- Accounting advisory services	1,955	20,000
- Taxation advice and reviews	23,350	29,200
Total remuneration for other services	<u>25,305</u>	<u>49,200</u>
	<u>182,824</u>	<u>189,450</u>

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

42. 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 2012 financial year, recognised as part of employee benefit expense, was \$nil (2011 - \$nil).

The scheme replaced the previous employee share plan. Under that plan, certain employees were granted shares funded by interest free loans from the company and repaid by dividends. The last shares under that scheme were issued in the 2006 financial year. At 30 June 2012, \$46,000 (2011 - \$51,000) remained outstanding from employees in relation to loans granted in prior financial years. No amounts were due from former employees.

43. 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.

	2012	2011
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	366	351
Trade and other receivables	11,283	12,869
Available-for-sale financial assets	6,189	15
Derivative financial instruments	-	266
	<u>17,838</u>	<u>13,501</u>
Financial liabilities		
Trade and other payables	16,179	33,546
Other financial liabilities	10,994	-
Borrowings	4,188	55,451
Derivative financial instruments	2,165	407
	<u>33,526</u>	<u>89,404</u>

(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 loan to an associated entity that bears an interest rate between 12% and 17% dependent upon the level of gearing of the associate. At 30 June 2012 the interest rate was 16% (2011 - 17%). Loans issued at fixed rates or at a fixed range of 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 2012 to 2 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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% (2011 - 8.0% - 8.5%) per annum. Caps currently in place cover the entire amount (2011 - 70%) of the variable loan outstanding at balance date, with terms expiring in 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% (2011 - 4.06% - 6.0%) per annum. Swaps currently in place cover the entire amount (2011 - 55%) of the variable loan outstanding at balance date, with terms expiring in 2014 and 2015.

The consolidated entity's policy is to maintain a significant proportion of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. The caps and swaps described above covered the entire amount of the bank loan at balance date because the balance of the loan was only \$4,499,000.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for receivables and borrowings is set out below.

	2012			2011		
	INTEREST BEARING - VARIABLE	NON INTEREST BEARING	TOTAL	INTEREST BEARING - FIXED	NON INTEREST BEARING	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables						
Other receivables	-	2,779	2,779	-	3,958	3,958
Employee share loans	-	45	45	-	51	51
Loan to associated entity	9,494	-	9,494	9,895	-	9,895
	9,494	2,824	12,318	9,895	4,009	13,904
Weighted average interest rate	16%			17%		

	2012			2011		
	INTEREST BEARING - FIXED	INTEREST BEARING - VARIABLE	TOTAL	INTEREST BEARING - VARIABLE	NON INTEREST BEARING	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings						
Bank loans	-	4,499	4,499	56,029	-	56,029
Vendors of land	10,994	-	10,994	-	21,410	21,410
	10,994	4,499	15,493	56,029	21,410	77,439
Weighted average interest rate	5.43%			6.96%		

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 25 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 13 and 40(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. Management estimates the fair value of the mortgaged land at balance date to be \$36,395,000 (2011 - \$36,888,000) and the balance of the first ranked bank loan is \$18,020,000 (2011 - \$18,484,000), leaving surplus security in excess of the balance of the loan.

(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 2012 the group had undrawn committed facilities of \$98,900,000 (2011 - \$49,200,000) and cash of \$366,000 (2011 - \$351,000) 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 2012	LESS THAN 1 YEAR \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT \$'000
Non-derivatives					
Non-interest bearing	16,180	12,282	-	28,462	28,462
Variable rate	-	-	5,240	5,240	4,499
Derivatives	863	867	526	2,256	2,165
Total	17,043	13,149	5,766	35,958	35,126

GROUP – AT 30 JUNE 2011	LESS THAN 1 YEAR \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT \$'000
Non-derivatives					
Non-interest bearing	33,546	-	-	33,546	33,546
Variable rate	-	-	66,299	66,299	56,029
Derivatives	119	174	149	443	407
Total	33,665	174	66,448	100,288	89,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 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 units held in entities that are not traded in active markets is assessed by reference to the acquisition price at initial recognition and in the absence of any impairment is not adjusted where the initial recognition occurred close to the reporting date. The fair value of financial instruments that are not traded in active markets (such as derivatives provided by the trading banks and available-for-sale securities) 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 25) 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 2012 and 30 June 2011 were as follows:

	NOTE	2012	2011
		\$'000	\$'000
Total interest bearing bank debt	25	4,499	56,029
Less: cash and cash equivalents	7	(366)	(351)
Net debt		4,133	55,678
Shareholders' equity		184,626	129,549
Gearing ratio		2.2%	43.0%

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 acquisition payments and the construction and settlement of developments.

44. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Acquisition of land at Forrestdale, Western Australia

In August 2012 the group contracted to acquire land at Forrestdale, WA at a cost of \$4.72 million.

45. PARENT ENTITY FINANCIAL INFORMATION

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

	2012	2011
	\$'000	\$'000
Balance sheet		
Current assets	30,796	25,603
Total assets	203,999	195,851
Current liabilities	(59,525)	(43,292)
Total liabilities	(66,033)	(99,238)
Net assets	<u>137,966</u>	<u>96,613</u>
<i>Shareholders' equity</i>		
Issued capital	79,325	44,682
Retained earnings	58,641	51,931
	<u>137,966</u>	<u>96,613</u>
Profit or loss for the year	20,527	18,302
Total comprehensive income	<u>20,527</u>	<u>18,302</u>

(a) Contingent liabilities of the parent entity

At 30 June 2012 bank guarantees totalling \$6,578,474 (2011 - \$4,493,000) had been provided to various state and local authorities supporting development and maintenance commitments.

INVESTORS' SUMMARY

Dividend and dividend policy

The current dividend policy is to distribute approximately 50% of the full year net profit after tax. The final dividend for the 2012 financial year is 14.0 cents per share, fully franked. The dividend will be paid on 31 October 2012.

Shareholder discount scheme

The group operates a shareholder discount scheme which entitles shareholders to a 5% discount off the listed price of any residential lot, or 2.5% off the listed price of houses or apartments at the group's developments. A summary of the main terms and conditions follows:

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

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

Electronic payment of dividends

The group continues to offer the electronic payment of dividends, which is now in use by the majority of our shareholders. Shareholders may nominate a bank, building society or credit union account for the payment of dividends by direct credit. Payments are electronically credited on the dividend payment date and confirmed by mailed advice. Shareholders wishing to take advantage of this facility for the first time should contact the Company's Share Registrar, Computershare Investor Services Pty Ltd, by visiting www.computershare.com.au.

Dividend re-investment plan and Bonus share plan

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

Shareholders' timetable

Bonus share plan election form closing date	20 August 2012
Share register closes for dividend (Record date)*	5 October 2012
Dividend reinvestment plan and Bonus share plan price announcement	12 October 2012
Dividend reinvestment plan election date	19 October 2012
Final dividend payment date	31 October 2012
First quarter update	October 2012
Annual General Meeting	2 November 2012 – 11.00am
Half-year result announcement	February 2013
Interim dividend payment date	30 April 2013
Third quarter update	May 2013
Full year result and dividend announcement	August 2013

*Based on the register closing date it is anticipated that shares will trade ex-dividend on 28 September 2012. Shareholders should check with their broker prior to trading.

Shareholder information

The shareholder information set out below was applicable at 31 August 2012.

DISTRIBUTION OF ORDINARY SHARES

	NUMBER OF HOLDERS	NUMBER OF SHARES
1 – 1,000	313	158,519
1,001 – 5,000	706	2,063,767
5,001 – 10,000	385	2,921,320
10,001 – 100,000	418	10,623,678
100,001 and over	58	56,422,230
	1,880	72,189,514

There were 67 holders of less than a marketable parcel of ordinary shares.

TWENTY LARGEST SHAREHOLDERS OF ORDINARY SHARES

NAME	NUMBER OF SHARES	PERCENTAGE OF SHARES
National Nominees Limited	7,379,104	10.22
Hamsha Nominees Pty Ltd	5,938,172	8.23
Zero Nominees Pty Ltd	5,225,208	7.24
Westland Group Holdings Pty Ltd	5,027,176	6.96
Australian Executor Trustees Limited	4,297,160	5.95
Australian Foundation Investments Company Limited	3,860,216	5.35
Beach Corporation Pty Ltd	3,284,963	4.55
JP Morgan Nominees Australia Limited	3,116,834	4.32
HSBC Custody Nominees (Australia) Limited	2,170,089	3.01
Helen Kaye Poynton	1,677,095	2.32
Joia Holdings Pty Ltd	1,096,224	1.52
AMP Life Limited	1,012,459	1.40
Mr Paul Sadleir	967,023	1.34
Golden Years Holdings Pty Ltd (AW Lennon A/C)	930,081	1.29
BNP Paribas Noms Pty Ltd (Master Cust DRP)	840,151	1.16
ESA Securities Pty Ltd	664,486	0.92
Golden Years Holdings Pty Ltd (GE Lennon A/C)	632,472	0.87
Croftwell Pty Ltd	525,209	0.73
R S & J P Brown Super Fund A/C	504,292	0.70
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	499,668	0.69
	49,648,082	68.77%

INVESTORS' SUMMARY

SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

As disclosed in substantial shareholder notices lodged with the ASX up to 31 August 2012.

NAME	NUMBER OF SHARES	PERCENTAGE OF SHARES ¹
William George Hames and related entities	9,314,668	12.90%
Robert Stanley Brown and related entities	9,279,431	12.85%
Acorn Capital Limited	6,256,749	8.67%
Westoz Funds Management Pty Ltd	5,075,208	7.24%
Australian Executor Trustees Limited	3,767,331	5.22%
Australian Foundation Investment Company Limited	3,371,170	5.80%
Invesco Australia Limited	3,210,743	5.29%

¹ Percentage of issued capital held as at the date notice provided.

VOTING RIGHTS

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

Ordinary shares

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



