

2013

Cedar  Woods

# Financial Report



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 2013. The directors have the power to amend and reissue the financial statements.



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# CORPORATE DIRECTORY

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A.B.N. 47 009 259 081

## **DIRECTORS**

William George Hames, BArch (Hons) MCU (Harvard) LFRAlA, 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 – 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

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## **SHARE REGISTRY**

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St Georges Terrace, PERTH WA 6000

## **AUDITOR**

PricewaterhouseCoopers

125 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 1 November 2013

# 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 2013.

## 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 2013 were that of property developer and investor 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:

	2013 \$'000	2012 \$'000
Final fully franked ordinary dividend for the year ended 30 June 2012 of 14.0 cents (2011 – 12.0 cents) per fully paid share, paid on 31 October 2012 (2012 – 31 October 2011)	9,859	7,150
Interim fully franked ordinary dividend for the year ended 30 June 2013 of 11.0 cents (2012 – 11.0 cents) per fully paid share, paid on 30 April 2013 (2012 – 30 April 2012)	7,830	6,666
	<b>17,689</b>	<b>13,816</b>

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of \$11,003,933 (15 cents per share) to be paid on 30 October 2013 out of retained earnings at 30 June 2013.

## 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 2013:

### 2013 Highlights

- record net profit of \$36,337,000, up 6%;
- full year dividends of 26 cents per share, up 4%;
- earnings per share of 49.9 cents, down 6%;
- low level of bank debt;
- strong interest cover;
- \$110,000,000, 3-year bank facility extended to November 2015.

# DIRECTORS' REPORT

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## 2013 Financial Results Summary

YEAR ENDED 30 JUNE	2013 \$'000	2012 \$'000	% CHANGE
Revenue	172,751	170,474	+ 1.3
Net profit after tax	36,337	34,250	+ 6.1
Total assets	301,024	238,314	+ 26.3
Net bank debt	37,762	3,822	+ 888.0
Shareholders' equity	207,744	184,626	+ 12.6

## Key Performance Indicators

YEAR ENDED 30 JUNE		2013	2012	CHANGE
Basic earnings per share	¢	49.9	53.2	- 6.2%
Dividends per share – fully franked	¢	26.0	25.0	+4.0%
Total shareholder return (1 year)	%	53.8	-5.3	+59.1%
Net bank debt to equity – 30 June	%	18.2	2.1	+ 16.1%
Interest cover	x	12.6	8.8	+ 43.2%
Net asset backing per share – historical cost	\$	2.83	2.56	+ 10.5%
Shares on issue – end of year	'000	73,360	72,190	+1.6%
Stock market capitalisation at 30 June	\$'000	379,269	256,995	+47.6%
Share price at 30 June	\$	5.17	3.56	+45.2%
Return on equity	%	17.5	18.6	-1.1%
Return on capital	%	21.6	28.1	-6.5%

## Operational Summary

In the 2013 financial year the group continued to develop and sell lots and units at its residential estates in Western Australia and Victoria. It continued to manage property developments on behalf of other entities. The company also commenced development of a commercial building at its Williams Landing project, which is expected to be completed in FY2014 and leased for rental income.

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

The group achieved record net profit and dividends in the 2013 financial year and finished with a low net debt to equity of 18.2% at year end, marginally below the group's target debt to equity range of 20%-75%. Interest cover was at a favourable 12.6 times.

In May 2012 the company completed a \$30.5 million equity raising which considerably strengthened the balance sheet. As a result, earnings per share for FY2013 was 49.9 cents, a decrease of 6.2 per cent due to the increased number of shares associated with the capital raising.

Return on equity of 17.5% and return on capital of 21.6% were well above the group's benchmarks of 12% and 14% respectively.

Please refer to the Financial and Operating Review on page 6 of the Annual Report for further details.

## 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.

Subject to market conditions continuing at current levels, the group anticipates continued profit growth in FY2014, underpinned by a significant bank of presales already in place at the date of this report.

## 6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## 7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since 30 June 2013 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

Beyond the comments at item 5, 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-three years.

*Other current listed company directorships and former listed company directorships in the last three years:* None.

**Mr Robert S Brown**, MAICD, AIFS

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

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

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

# DIRECTORS' REPORT

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**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 seven 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

- 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 ten 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 member of the Australian Institute of Company Directors. He brings to the company a background of over eighteen 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	9,597,152
Robert S Brown*	7,948,808
Ronald Packer	160,586
Paul S Sadleir	1,023,358
Timothy R Brown*	4,639,980

\*R S Brown and T R Brown have a shared interest in 4,639,980 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 2013, 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:	18	4	4	3
Number of meetings attended by:				
W G Hames	16	*	*	2
R S Brown	18	4	4	3
R Packer	18	4	4	3
P S Sadleir	18	*	*	*
T R Brown (alternate director)	-	-	-	-

\* Not a member of this committee

# DIRECTORS' REPORT

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## 15. REMUNERATION REPORT

The directors present the 2013 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

### Remuneration governance

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

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

The committee's 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 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, taking into account comparable roles and market data. 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:

	2013 \$	2012 \$
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

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## **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 2013 financial year and awarded bonuses reflecting the group's record results, which met 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 FY2013 a total of \$287,000 was awarded under the retention incentive plan, which will vest on 1 July 2015.

## **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.

In FY2013 no remuneration consultants were utilised.

## **Voting and comments made at the company's 2012 Annual General Meeting (AGM)**

At the company's 2012 AGM, 87.6% of eligible votes cast were in favour of the remuneration report for the 2012 financial year. The company received questions at the AGM in relation to its remuneration practices and these were answered by the Chairman at the meeting. No changes were deemed necessary to the company's remuneration practices in response to the matters raised.

## **Performance of Cedar Woods Properties Limited**

In FY2013, the group delivered a record profit of \$36.3 million, an increase of 6.1%. This was the third consecutive record profit for the company.

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

<b>RETURNS TO SHAREHOLDERS OVER 1, 3 AND 5 YEARS</b>	<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>
Earnings per share growth %	(6.2)	19.8	6.0
Share price growth %	45.2	28.3	13.5
Dividend growth % (paid dividend)	4.0	26.0	7.6
Total shareholder return (change in share price and dividends)%	53.8	35.6	19.7

The total shareholder return in FY2013 was 53.8%, which compared favourably with the All Ordinaries total return of 20.8% 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

2013	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	76,238	-	-	23,762	-	100,000
P S Sadleir	726,548	380,000	7,199	23,452	-	1,137,199
<b>Total</b>	<b>1,013,795</b>	<b>380,000</b>	<b>7,199</b>	<b>66,205</b>	<b>-</b>	<b>1,467,199</b>

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
<b>Total</b>	<b>915,917</b>	<b>285,000</b>	<b>8,003</b>	<b>114,083</b>	<b>-</b>	<b>1,323,003</b>

# DIRECTORS' REPORT

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## Key management personnel

2013	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	323,530	90,000	11,611	16,470	40,000	481,611
P Freedman	305,000	50,000	1,217	25,000	25,000	406,217
S Duplock	288,530	60,000	1,702	16,470	30,000	396,702
<b>Total</b>	<b>917,060</b>	<b>200,000</b>	<b>14,530</b>	<b>57,940</b>	<b>95,000</b>	<b>1,284,530</b>

2012	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	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
<b>Total</b>	<b>862,675</b>	<b>155,000</b>	<b>12,338</b>	<b>67,325</b>	<b>80,000</b>	<b>1,177,338</b>

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

NAME	2013			2012		
	FIXED REMUNERATION %	AT RISK – STI %	AT RISK – LTI %	FIXED REMUNERATION %	AT RISK – STI %	AT RISK – LTI %
P Sadleir	66	34	0	70	30	0
N Blackburne	73	19	8	78	15	7
P Freedman	82	12	6	82	13	5
S Duplock	77	15	8	79	13	8

### 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, and the payment of certain professional memberships. 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 2013 STI bonuses will be paid in FY2014 and the 2013 LTI bonuses will be paid in FY2016.

	2013 STI AND LTI BONUS VESTED %	2013 STI AND LTI BONUS FORFEITED %	2012 STI AND LTI BONUS VESTED %	2012 STI AND LTI BONUS FORFEITED %
P S Sadleir	95	5	95	5
N Blackburne	100	0	100	0
P Freedman	100	0	93	7
S Duplock	100	0	94	6

### 16. RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

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

### 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*.

# DIRECTORS' REPORT

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## 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 15.

## 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.

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



**P S Sadleir**  
**MANAGING DIRECTOR**

Perth, Western Australia  
20 August 2013



# 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 2013, 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 that reads 'Douglas Craig'.

Douglas Craig  
Partner  
PricewaterhouseCoopers

Perth  
20 August 2013

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# CORPORATE GOVERNANCE STATEMENT

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

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

Listed entities are required to disclose the extent to which they have followed the Corporate Governance Principles and Recommendations (Principles and Recommendations) set by the Australian Securities Exchange Corporate Governance Council. 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.

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## 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:

- setting the group's values and standards of conduct and ensuring these are adhered to in the interests of all stakeholders;
- approving policies, strategies, budgets, and plans;
- assessing performance against strategies to monitor both the suitability of those strategies and the performance of management and the Board itself;
- reviewing operating information to understand the group's position, and approving financial and other reporting;
- identifying areas of significant business risk and ensuring systems and procedures are in place to manage those risks;
- considering management recommendations on key issues – including acquisitions, funding and significant capital expenditure;
- monitoring progress in relation to the group's diversity objectives and compliance with its diversity policy;
- ensuring that the company and its subsidiaries act legally and responsibly on all matters and that the highest ethical standards are maintained;
- appointing, terminating and reviewing the performance of the Managing Director;
- ratifying the appointment and, where appropriate, removal of the Chief Financial Officer and the Company Secretary;
- ratifying the terms of appointment of senior management; and
- 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:

- the Board should comprise between 3 and 10 directors;
- 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;
- the Board is to establish measurable objectives for Board gender diversity and assess annually the objectives and progress in achieving them;
- a majority of the Board should be non-executive; and
- the Chairman is elected by the full Board.

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

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

### **Directors' independence**

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

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

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

### **Board members**

Details of the members of the Board, their experience, expertise, qualifications, term of office and independence status 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 18 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.

It is the company's practice to allow its executive director to accept appointments outside the company with the prior approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2013.

### **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.

# CORPORATE GOVERNANCE STATEMENT

## 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.

## 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:

- Board composition
- assessing the skills required on the Board;
- from time to time assessing the extent to which the required skills 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;
- reviewing and recommending to the Board upon the proposed re-election of directors retiring by rotation;
- 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 directors 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) which has been fully endorsed by the Board and applies to all directors and employees. 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 as director and senior executive positions become vacant and appropriately skilled candidates are available:

	OBJECTIVE	ACTUAL	
	%	NUMBER	%
Number of women employed in the whole organisation	40	22	41
Number of women in management positions	30	4	16
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

# CORPORATE GOVERNANCE STATEMENT

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 2013.

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 regular newsletters. 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 of the Board 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



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## **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 2013, the statement of profit and loss and other 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 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, 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. Those 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 consolidated 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.

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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

### *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 2013 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*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 8 to 13 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Douglas Craig  
Partner

Perth  
20 August 2013

# DIRECTORS' DECLARATION

In the directors' opinion:

- a. the financial statements and notes set out on pages 25 to 59 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 2013 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 2013

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	CONSOLIDATED	
		2013	2012
		\$'000	\$'000
<b>Revenue from operations</b>	3	172,751	170,474
Cost of sales		(95,677)	(94,426)
Gross margin		77,074	76,048
Other income	3	1,034	1,775
Other expenses:			
Project operating costs		(12,448)	(12,765)
Occupancy		(577)	(564)
Administration		(11,377)	(10,638)
Finance costs	4	(1,580)	(3,819)
Share of net losses of associate accounted for using the equity method	15	(684)	(764)
<b>Profit before income tax</b>		<b>51,442</b>	<b>49,273</b>
Income tax expense	5	(15,105)	(15,023)
<b>Profit for the year</b>	31,37	<b>36,337</b>	<b>34,250</b>
<b>Total comprehensive income for the year</b>		<b>36,337</b>	<b>34,250</b>
<b>Total comprehensive income attributable to members of Cedar Woods Properties Limited</b>		<b>36,337</b>	<b>34,250</b>
<b>Earnings per share for profit attributable to the ordinary owners of the company:</b>			
Basic and diluted earnings per share	37	49.9 cents	53.2 cents

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

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	NOTE	CONSOLIDATED	
		2013	2012
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	3,017	366
Trade and other receivables	8	3,409	2,779
Inventories	9	76,009	63,454
Deferred development costs	10	11,037	4,244
Assets classified as held for sale	11	-	823
<b>Total current assets</b>		<b>93,472</b>	<b>71,666</b>
<b>Non-current assets</b>			
Receivables	12	6,674	8,504
Inventories	13	174,864	144,842
Deferred development costs	14	3,412	3,259
Investments accounted for using the equity method	15	1,929	2,613
Available-for-sale financial assets	16	8,073	6,189
Property, plant and equipment	17	1,299	1,241
Investment properties	18	11,301	-
<b>Total non-current assets</b>		<b>207,552</b>	<b>166,648</b>
<b>Total assets</b>		<b>301,024</b>	<b>238,314</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	20,951	16,179
Other financial liabilities	21	11,603	-
Derivative financial instruments	22	93	-
Current tax liabilities	23	8,006	11,734
Provisions	24	6,630	5,079
<b>Total current liabilities</b>		<b>47,283</b>	<b>32,992</b>
<b>Non-current liabilities</b>			
Borrowings	25	40,779	4,188
Other financial liabilities	26	-	10,994
Deferred tax liabilities	27	3,436	3,194
Provisions	28	310	155
Derivative financial instruments	22	1,472	2,165
<b>Total non-current liabilities</b>		<b>45,997</b>	<b>20,696</b>
<b>Total liabilities</b>		<b>93,280</b>	<b>53,688</b>
<b>Net assets</b>		<b>207,744</b>	<b>184,626</b>
<b>EQUITY</b>			
Contributed equity	29	83,795	79,325
Reserves	30	496	597
Retained profits	31	123,453	104,704
<b>Total equity</b>		<b>207,744</b>	<b>184,626</b>

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 2013

CONSOLIDATED	NOTE	CONTRIBUTED EQUITY	RESERVES	RETAINED PROFITS	TOTAL
		\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2011</b>		<b>44,682</b>	<b>662</b>	<b>84,205</b>	<b>129,549</b>
Profit for the year		-	-	34,250	34,250
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>34,250</b>	<b>34,250</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs and tax	29	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
<b>Balance at 30 June 2012</b>		<b>79,325</b>	<b>597</b>	<b>104,704</b>	<b>184,626</b>
<b>Balance at 1 July 2012</b>		<b>79,325</b>	<b>597</b>	<b>104,704</b>	<b>184,626</b>
Profit for the year		-	-	36,337	36,337
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>36,337</b>	<b>36,337</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs and taxes	29	4,470	-	-	4,470
Transfers from reserves to retained profits		-	(101)	101	-
Dividends provided for or paid	6	-	-	(17,689)	(17,689)
		4,470	(101)	(17,588)	(13,219)
<b>Balance at 30 June 2013</b>		<b>83,795</b>	<b>496</b>	<b>123,453</b>	<b>207,744</b>

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 2013

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	NOTE	CONSOLIDATED	
		2013	2012
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (incl. GST)		186,104	184,328
Payments to suppliers and employees (incl. GST)		(43,565)	(38,593)
Payments for land and development		(135,209)	(97,401)
Interest received		578	771
Borrowing costs paid		(4,097)	(6,004)
Income taxes paid		(18,586)	(9,907)
<b>Net cash (outflows) inflows from operating activities</b>	32	<b>(14,775)</b>	<b>33,194</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of available-for-sale financial assets		-	8
Proceeds from sale of investment properties		1,205	2,640
Proceeds from sale of property, plant and equipment		5	-
Repayments of loan by associated entity		3,500	2,000
Payments for available-for-sale financial assets		-	(6,000)
Payments for investment properties		(10,265)	-
Payments for property, plant and equipment		(388)	(843)
<b>Net cash (outflows) from investing activities</b>		<b>(5,943)</b>	<b>(2,195)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		36,572	-
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	(13,203)	(10,974)
<b>Net cash inflows (outflows) from financing activities</b>		<b>23,369</b>	<b>(30,984)</b>
Net increase in cash and cash equivalents		2,651	15
Cash and cash equivalents at the beginning of the financial year		366	351
<b>Cash and cash equivalents at the end of the financial year</b>	7	<b>3,017</b>	<b>366</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2013

## 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 2013 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.

*Joint Ventures*

*Jointly controlled assets*

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 33.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(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:

### *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.

#### **(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. In instances 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)

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(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 property, is held for long term rental yields and is not occupied by the consolidated entity. Investment property includes properties under construction for future use as investment property and 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.

### *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' 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 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.

**(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 discontinued 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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 2013 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) and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition disclosures* (effective from 1 January 2015).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 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 is considering the introduction of hedge accounting for derivatives and may adopt AASB 9 before its operative date.

(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* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (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. The group has a 32.5% interest in Cedar Woods Wellard Limited, for which it has significant influence but not control. This remains the case under the new definition of control in AASB10.

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 other parties 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 will adopt the new standards from their operative date. They will 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 will adopt the new standard from its operative date, which means that it will 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 44 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.

**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. Inventory is classified as current 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) Accrued interest income*

Interest income is accrued on the 1 special unit (class B) in the BCM Apartment Trust, disclosed as an available for sale financial asset. Judgement is required to determine the term over which a fixed amount of interest is earned and thus the amount recognised in each financial year. The term of repayment is forecast based on estimated cash flows of the project for which the financial asset relates.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<b>From operations</b>		
<b>Revenue</b>		
Sale of land and buildings	165,688	165,060
Management fees and commissions	2,492	2,467
Interest	4,235	2,369
Lease income	336	578
Total revenue	172,751	170,474
<b>Other income</b>		
Net gain on disposal of investment properties	382	1,271
Sundry income	652	504
	1,034	1,775

## 4. EXPENSES

Profit before income tax expense includes the following specific expenses:

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<b>Finance costs</b>		
Interest and finance charges	4,244	5,790
Calculated using effective interest method	609	152
Unrealised financial instrument (gains) losses	(600)	2,024
Less: amount capitalised	(2,673)	(4,147)
Finance costs expensed	1,580	3,819
<b>Net loss on disposal of property, plant and equipment</b>	79	194
<b>Rental expense relating to operating leases</b>		
Minimum lease payments	740	687
<b>Other provisions</b>		
Employee benefits	306	228
Customer rebates	2,713	1,957
<b>Superannuation funds – defined contribution</b>	583	551
<b>Depreciation of property, plant and equipment</b>	246	203
<b>Depreciation of investment property</b>	-	11
<b>Employee benefits expense</b>	8,268	7,162
<b>Write down of assets</b>		
Option fees and related costs	-	50
Inventory	43	779
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 7.18% (2012 – 6.56%) per annum. Where qualifying assets are financed by specific facilities, the applicable borrowing costs of those facilities are capitalised.

## 5. INCOME TAX

### (a) Income tax expense

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Current tax	14,935	16,896
Deferred tax	247	(1,858)
Adjustments for current tax of prior periods	(77)	(15)
Income tax expense attributable to profit	15,105	15,023
Deferred income tax expense (revenue) included in income tax expense comprises:		
(Increase) in deferred tax assets (note 19)	(241)	(1,189)
Increase (decrease) in deferred tax liabilities (note 27)	488	(669)
	247	(1,858)

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

Profit before income tax	51,442	49,273
Tax at the Australian tax rate of 30% (2012 – 30%)	15,433	14,782
Tax effect of amounts which are not deductible in calculating taxable income:		
- Research & Development	(463)	-
- Share of net loss of associated entity	205	229
- Sundry items	7	27
	(251)	256
Adjustments for current tax of prior periods	(77)	(15)
Income tax expense	15,105	15,023

### (c) Tax losses

At 30 June 2013 the consolidated entity had no carried forward capital tax losses (2012 - \$191,000 for which no deferred tax asset has been recognised).

## 6. DIVIDENDS – Ordinary Shares

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<b>Fully franked based on tax paid @ 30%</b>		
Final dividend for the year ended 30 June 2012 of 14.0 cents (2011 – 12.0 cents) per fully paid share, paid on 31 October 2011 (2011 – 31 October 2010)		
- Paid in cash	6,773	5,706
- Satisfied by shares under the dividend reinvestment plan	3,083	1,441
- Applied to the employee share loans	3	3
Interim dividend for the year ended 30 June 2013 of 11.0 cents (2012 – 11.0 cents) per fully paid share, paid on 30 April 2013 (2012 – 30 April 2012)		
- Paid in cash	6,430	5,268
- Satisfied by shares under the dividend reinvestment plan	1,398	1,396
- Applied to the employee share loans	2	2
Total	17,689	13,816
<b>Dividends not recognised at year end</b>	11,004	10,107

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In addition to the dividends paid during the year, since year end the directors have recommended the payment of a final dividend of 15 cents per ordinary share (2012 - 14 cents), fully franked based on tax paid at 30% (2012: 30%). The above is the amount of the proposed dividend expected to be paid on 30 October 2013 out of retained profits at 30 June 2013, but not recognised as a liability at year end.

The franked portions of dividends proposed at 30 June 2013 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

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Franking credits available for the subsequent financial year on a tax-paid basis of 30% (2012 – 30%)

CONSOLIDATED	
2013	2012
\$'000	\$'000
50,979	43,895

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 \$4,716,000 (2012 - \$4,331,000).

## 7. CURRENT ASSETS – Cash and cash equivalents

Cash at bank and in hand

CONSOLIDATED	
2013	2012
\$'000	\$'000
3,017	366
3,017	366

Cash at bank includes cash held in day to day bank transaction accounts earning interest from 0 to 2.75% (2012: 0 – 2.50%) 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

Trade receivables  
Other receivables  
Prepayments

CONSOLIDATED	
2013	2012
\$'000	\$'000
1,470	1,302
478	577
1,461	900
3,409	2,779

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 2013 (2012 – \$nil).



## 9. CURRENT ASSETS – Inventories

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Property held for resale		
- land at cost	24,157	19,007
- at valuation 30 June 1992	287	174
- capitalised development costs	51,565	41,006
- at net realisable value	-	3,267
	<u>76,009</u>	<u>63,454</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	
	2013	2012
	\$'000	\$'000
Deferred development costs	11,037	4,244
	<u>11,037</u>	<u>4,244</u>

## 11. CURRENT ASSETS – Assets classified as held for sale

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Current assets held for sale		
Investment properties		
- at cost	-	915
- less accumulated depreciation	-	(92)
	<u>-</u>	<u>823</u>

In September 2011, the directors of the consolidated entity resolved to dispose of 8 commercial units held by the consolidated entity. At 30 June 2012, 5 of the commercial units had been sold and 3 units remained for sale. At 30 June 2013, all commercial units had been sold. 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. NON-CURRENT ASSETS – Receivables

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Loans – employee share scheme (note 42)	40	45
Loan to associated company	7,669	9,494
Provision for impairment on loan to associated company	(1,035)	(1,035)
	<u>6,674</u>	<u>8,504</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (2012: \$1,035,000) remains.

## 13. NON-CURRENT ASSETS – Inventories

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	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Property held for resale		
- land at cost	122,699	102,945
- at valuation 30 June 1992	552	1,252
- capitalised development costs	46,643	35,706
- at net realisable value	4,970	4,939
	174,864	144,842
Current inventory (note 9)	76,009	63,454
Non-current inventory – as above	174,864	144,842
Aggregate carrying amount	250,873	208,296

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.

## 14. NON-CURRENT ASSETS - Deferred development costs

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Deferred development costs	3,412	3,259
	3,412	3,259

## 15. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Unlisted securities		
Shares in associates	1,929	2,613
<b>Cedar Woods Wellard Limited</b>		
Movements in carrying amounts		
At start of the year	2,613	3,377
Share of losses after income tax	(684)	(764)
At end of the year	1,929	2,613
Loss before income tax	327	720
Income tax expense	357	44
Loss after income tax	684	764
Share of associate's revenue, assets, liabilities and contingent liabilities		
Revenue	7,303	3,889
Assets	7,776	12,368
Liabilities	(5,202)	(9,110)
Contingent liabilities (bank guarantees)	(22)	(223)

The consolidated entity owns a 32.5% (2012 – 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 16 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.

## 16. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Unlisted securities		
Special unit in unit trust	8,073	6,189
	8,073	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 15 and the 1 special unit (class B) is disclosed as an available-for-sale financial asset above.

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

## 17. NON-CURRENT ASSETS – Property, plant and equipment

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<b>Buildings at Cost</b>		
At start of the year	-	19
Assets disposed	-	(19)
At end of the year	-	-
Accumulated depreciation on Buildings		
At start of the year	-	4
Assets disposed	-	(4)
At end of the year	-	-
Net book value	-	-
<b>Plant and Equipment at Cost</b>		
At start of the year	2,598	2,136
Additions	389	683
Assets disposed	(137)	(221)
At end of the year	2,850	2,598
Accumulated depreciation on Plant and Equipment		
At start of the year	1,357	1,197
Charge for year	246	203
Assets disposed	(52)	(43)
At end of the year	1,551	1,357
Net book value	1,299	1,241
Total property, plant and equipment	1,299	1,241

### 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.

## 18. NON-CURRENT ASSETS – Investment properties

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<b>Non-current assets – at cost</b>		
Opening balance at 1 July	-	2,045
Acquisitions	-	159
Depreciation	-	(11)
Disposals	-	(1,370)
Classified as held for sale	-	(823)
Transfer from inventory	1,036	-
Capitalised expenditure	10,265	-
Closing balance at 30 June	11,301	-

Investment properties disclosed at 30 June 2013 are under construction and depreciation has not yet commenced. Investment properties at 30 June 2011 that were not sold during the year ended 30 June 2012 were 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 2013 to equate cost, considering the properties are under construction.

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

### Leasing arrangements

Investment properties are leased to tenants under long term leases. Minimum lease payments under non-cancellable leases are receivable as follows:

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Within one year	1,127	28
Later than one year but not later than 5 years	9,087	-
Later than 5 years	49,610	-
	59,824	28

### Amounts recognised in profit and loss for investment properties

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

### 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

## 19. NON-CURRENT ASSETS – Deferred tax assets

The balance comprises temporary differences attributable to:

*Amounts recognised in profit or loss*

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Employee benefits	644	534
Provision for customer rebates	1,755	1,335
Borrowing costs	387	426
Change in value of derivative financial instruments	532	712
Provision for impairment on loan to associate	311	311
Other	32	39

*Amounts recognised directly in equity*

Share issue expenses	179	237
Total deferred tax assets	3,840	3,594
Set-off of deferred tax assets pursuant to set-off provisions	(3,840)	(3,594)
Net deferred tax assets	-	-

Deferred tax assets at 1 July	3,594	2,120
Increase in deferred tax assets (credited) to income tax expense (note 5)	241	1,189
Increase in deferred tax assets (credited) to equity (note 29)	5	285
Deferred tax assets at 30 June	3,840	3,594

Deferred tax assets expected to be recovered within 12 months	2,721	1,884
Deferred tax assets expected to be recovered after more than 12 months	1,119	1,710
	3,840	3,594

## 20. CURRENT LIABILITIES – Trade and other payables

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Trade payables	9,145	6,682
Accruals	11,353	7,284
GST payable	449	2,017
Other payables	4	196
	20,951	16,179

## 21. CURRENT LIABILITIES – Other financial liabilities

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Due to vendor of St Albans property under contract of sale	11,603	-
	11,603	-

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<b>Current liabilities</b>		
Interest rate swap contracts	93	-
	93	-
<b>Non-current liabilities</b>		
Interest rate swap contracts	1,472	2,165
	1,565	2,165

### (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 swap contracts*

The bank loan currently bears a variable interest rate of 4.82% per annum (2012 – 5.43% 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 swap contracts under which a significant part of the consolidated entity's projected borrowings are protected for the period from 1 July 2013 to 2 June 2015.

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 98% (2012 – 100%) 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.

## 23. CURRENT LIABILITIES – Current tax liabilities

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Income tax	8,006	11,734

## 24. CURRENT LIABILITIES – Provisions

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Employee benefits	777	626
Dividends	2	2
Customer rebates	5,851	4,451
	6,630	5,079

### (a) Movements in Current Provisions

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<b>Consolidated – 2013</b>		
Carrying amount at start of year	4,451	3,990
Charged to profit or loss	2,713	1,957
Payments	(1,313)	(1,496)
Carrying amount at end of year	5,851	4,451

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. NON-CURRENT LIABILITIES – Borrowings

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Bank loans – secured	41,087	4,499
Facility fees capitalised (amortised over the period of facility)	(1,125)	(799)
Amortisation of facility fees	817	488
	<u>40,779</u>	<u>4,188</u>

46 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.

Bank loans of \$20,543,601 provided by ANZ Bank and \$20,543,601 provided by Commonwealth Bank trading as Bankwest (2012 - \$4,499,000 provided by ANZ Bank) are secured by first registered mortgages over some of the consolidated entity's land holdings, and first registered fixed and floating charges and guarantees and indemnities provided by Cedar Woods Properties Limited and applicable subsidiary entities. Cedar Woods Properties Limited has provided first registered fixed and floating charges over its assets and undertakings in relation to the corporate loan facility (see below).

### Financing arrangements

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

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<b>Bank facilities</b>		
Total facilities (loan and guarantees)	110,000	110,000
Used at balance date	52,498	11,077
Unused at balance date	<u>57,502</u>	<u>98,923</u>

The consolidated entity has total finance facilities of \$110,000,000, with \$55,000,000 each provided by ANZ Bank and Commonwealth Bank trading as Bankwest. The facilities expire on 30 November 2015, extendable for a further year subject to review by the banks in November 2013. The conditions of the facilities impose certain covenants as to the consolidated entity's revenue, interest cover and loan-to-valuation ratio. The corporate facilities provide funding for the consolidated entity's existing operations, ongoing development and future acquisitions. The funding structure 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 lenders are required.

The combined facilities include bank guarantee facilities of \$14,000,000 (2012 - \$10,000,000) subject to similar terms and conditions, which were drawn to a total amount of \$11,411,000 at 30 June 2013 (2012 - \$6,578,000). The interest on the corporate loan facilities is variable and at 30 June 2013 was an average rate of 4.82% per annum (2012 – 5.43%).

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	
	2013	2012
	\$'000	\$'000
Due to vendor of St Albans property under contract of sale	-	10,994
	<u>-</u>	<u>10,994</u>



## 27. NON-CURRENT LIABILITIES – Deferred tax liabilities

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Borrowing costs	2,933	3,036
Deferred development costs	3,209	2,062
Interest receivable	564	1,252
Prepaid commissions	328	-
Other	30	182
	<u>7,064</u>	<u>6,532</u>
<i>Amounts recognised directly in equity</i>		
Revaluation reserve	212	256
Total deferred tax liabilities	<u>7,276</u>	<u>6,788</u>
Set off of deferred tax assets pursuant to set-off provisions	<u>(3,840)</u>	<u>(3,594)</u>
Net deferred tax liabilities	<u>3,436</u>	<u>3,194</u>
Deferred tax liabilities at 1 July	6,788	7,457
Increase (decrease) in deferred tax liabilities debited (credited) to income tax expense (note 5)	488	(669)
Deferred tax liabilities at 30 June	<u>7,276</u>	<u>6,788</u>
Deferred tax liabilities expected to be settled within 12 months	4,295	2,746
Deferred tax liabilities expected to be settled after more than 12 months	2,981	4,042
	<u>7,276</u>	<u>6,788</u>

## 28. NON-CURRENT LIABILITIES – Provisions

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Employee benefits	310	155
	<u>310</u>	<u>155</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29. CONTRIBUTED EQUITY

	2013	2012	2013	2012
	SHARES	SHARES	\$'000	\$'000
Start of the financial year	72,189,514	61,817,936	79,325	44,682
Shares issued pursuant to the dividend reinvestment plan:				
Ordinary shares issued on 31 October 2011 at \$3.49	-	963,522	-	3,363
Ordinary shares issued on 30 April 2012 at \$3.45	-	404,739	-	1,396
Transaction costs arising on share issues	-	-	-	(50)
Ordinary shares issued on 31 October 2012 at \$3.88	794,591	-	3,083	-
Ordinary shares issued on 30 April 2013 at \$5.14	271,917	-	1,398	-
Transaction costs arising on share issues	-	-	(11)	-
Share issued pursuant to the bonus share plan:				
Ordinary shares issued on 31 October 2011	-	76,867	-	-
Ordinary shares issued on 30 April 2012	-	71,877	-	-
Ordinary shares issued on 31 October 2012	63,688	-	-	-
Ordinary shares issued on 30 April 2013	39,841	-	-	-
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
	1,170,037	10,371,578	4,470	34,643
End of the financial year	73,359,551	72,189,514	83,795	79,325

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 may be issued under the plan at a discount to the market price, at the discretion of the Directors.

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.

## 30. RESERVES

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
<i>Composition</i>		
a) Asset revaluation reserve (pre 1992)	496	597
	496	597
<i>Movements</i>		
a) Asset revaluation reserve		
Balance at the beginning of the financial year	597	662
Transfer to retained profits (note 31)	(101)	(65)
Balance at the end of the financial year	496	597

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).

### 31. RETAINED PROFITS

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Retained profits at the start of the financial year	104,704	84,205
Net profit attributable to members of Cedar Woods Properties Limited	36,337	34,250
Transfers from reserves (note 30)	101	65
Dividends provided for or paid (note 6)	(17,689)	(13,816)
Retained profits at the end of the financial year	123,453	104,704

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

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Profit after income tax	36,337	34,250
Depreciation	246	215
Loss on sale of non-current assets	79	194
Gain on sale of investment properties	(382)	(1,271)
Write down of assets	-	7
Fair value loss on derivative financial instrument	(600)	2,024
Accrued interest on receivables	(1,675)	(1,598)
Share of loss in equity accounted investment	684	764
<i>Changes in operating assets and liabilities</i>		
Increase in provisions for employee benefits	306	228
Increase in provisions	1,400	461
Decrease in deferred development costs	874	5,285
Increase in inventories	(43,613)	(5,898)
Increase in options over land and other capitalised costs	(7,820)	(1,468)
Increase in Available-for-sale financial assets	(1,883)	-
Increase in deferred tax assets	(241)	(1,189)
(Decrease) increase in current income tax payable	(3,728)	6,974
Increase (decrease) in deferred tax liability	488	(669)
Decrease in capitalised borrowing costs	3	267
(Increase) decrease in debtors	(631)	1,179
Increase (decrease) in creditors	5,381	(6,561)
Net cash (outflows) inflows from operating activities	(14,775)	33,194

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33. INTERESTS IN JOINT VENTURES

### Jointly controlled assets

A subsidiary has entered into a joint venture called Carine Joint Venture (CJV) with an aged care and retirement living provider, to develop a mixed use precinct including an aged care facility, retirement living and residential housing development on State land in Carine, Western Australia. The subsidiary has a 50% participating interest in the CJV and is entitled to 50% of its revenues and assets.

The consolidated entity's interest in the assets employed in the CJV are included in the balance sheet in accordance with the accounting policy described in note 1(b), under the following classifications:

	2013	2012
	\$'000	\$'000
<b>Current assets</b>		
Trade and other receivables (net)	374	-
Development costs	3,735	-
Total current assets	4,109	-
<b>Non-current assets</b>		
Property, plant and equipment	1	-
Total non-current assets	1	-
Share of assets employed in joint venture	4,110	-

The joint venture has no commitments for expenditure or contingent liabilities.

## 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	
	2013	2012
	\$'000	\$'000
Within 1 year	842	708
Later than 1 year but not later than 5 years	2,720	1,864
	3,562	2,572

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 2013 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 \$19,457,000 (2012 - \$12,282,000) and for building construction was \$20,808,000 (2012 - \$10,997,000). This work will be substantially completed in the next 12 months.

## 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 or established in Australia.

COMPANY	CLASS OF SHARES	EQUITY HOLDING	
		2013	2012
Cranford Pty Ltd	Ordinary	100%	100%
Daleford Property Pty Ltd	Ordinary	100%	100%
Dunland Property Pty Ltd	Ordinary	100%	100%
Esplanade (Mandurah) Pty Ltd	Ordinary	100%	100%
Eucalypt Property Pty Ltd	Ordinary	100%	100%
Flametree Property Pty Ltd	Ordinary	100%	100%
Gaythorne Pty Ltd	Ordinary	100%	100%
Galaway Holdings Pty Ltd	Ordinary	100%	100%
Geographe Property Pty Ltd	Ordinary	100%	100%
Jarrah Property Pty Ltd	Ordinary	100%	100%
Kayea Property Pty Ltd	Ordinary	100%	100%
Lonnegal Property Pty Ltd	Ordinary	100%	100%
Osprey Property Pty Ltd	Ordinary	100%	100%
Silhouette Property Pty Ltd	Ordinary	100%	100%
Terra Property Pty Ltd	Ordinary	100%	100%
Upside Property Pty Ltd	Ordinary	100%	100%
Vintage Property Pty Ltd	Ordinary	100%	100%
Woodbrooke Property Pty Ltd	Ordinary	100%	100%
Yonder Property Pty Ltd	Ordinary	100%	100%
Zamia Property Pty Ltd	Ordinary	100%	100%
Cedar Woods Properties Harrisdale Pty Ltd	Ordinary	100%	100%
Cedar Woods Properties Investments Pty Ltd	Ordinary	100%	100%
Cedar Woods Properties Management Pty Ltd	Ordinary	100%	100%
Cedar Woods Property Sales Pty Ltd	Ordinary	100%	100%
Williams Landing Town Centre Pty Ltd	Ordinary	100%	100%
Williams Landing Home Improvement Pty Ltd	Ordinary	100%	-
Williams Landing Home Improvement Trust	Ordinary	100%	-

### 37. EARNINGS PER SHARE

	2013	2012
Basic earnings per share (cents)	49.9	53.2
Diluted earnings per share (cents)	49.9	53.2
Net profit attributable to the ordinary owners of the company (\$'000)	36,337	34,250
<i>Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share and diluted earnings per share</i>	72,813,872	64,389,675

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38. CONTINGENT LIABILITIES

At 30 June 2013 bank guarantees totalling \$11,411,000 (2012 - \$6,578,000) 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	
	2013	2012
	\$	\$
Short-term employee benefits	2,532,584	2,238,933
Post employment benefits	124,145	181,408
Long-term employee benefits	95,000	80,000
	2,751,729	2,500,341

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.

2013	NUMBER OF SHARES AT THE START OF THE YEAR	OTHER CHANGES DURING THE YEAR	NUMBER OF SHARES AT THE END OF THE YEAR
<b>Directors of Cedar Woods Properties Limited</b>			
William G Hames <sup>†</sup>	9,419,838	288,610	9,708,448
Robert S Brown*	8,822,431	(870,623)	7,951,808
Ronald Packer	151,746	8,840	160,586
Paul S Sadleir	1,059,790	17,297	1,077,087
Timothy S Brown (alternate for R S Brown)	5,027,176	(387,196)	4,639,980

### Other key management personnel of the consolidated entity

Paul S Freedman	145,855	390	146,245
Nathan J Blackburne	118,539	231	118,770
Stuart A Duplock	5,269	307	5,576

2012	NUMBER OF SHARES AT THE START OF THE YEAR	OTHER CHANGES DURING THE YEAR	NUMBER OF SHARES AT THE END OF THE YEAR
<b>Directors of Cedar Woods Properties Limited</b>			
William G Hames <sup>†</sup>	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	(4,964)	5,269

† Includes 2,014,439 (2012 - 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) 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.

During the year a donation was paid to a scholarship fund of Murdoch University, of which Mr P S Sadleir is a Senate member. The transaction was performed on normal commercial terms and conditions.

During the year payments were made for sponsorship of the Warren Jones Foundation Inc and Property Education Foundation, organisations for which Mr R Packer is a Trustee. The transactions were performed 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:

	2013	2012
	\$	\$
<b>Amounts recognised as expense</b>		
Creative design services	19,475	34,492
Settlement fees	98,907	28,845
Donations	2,500	2,500
Sponsorships	11,286	8,900
	<u>132,168</u>	<u>74,737</u>
<b>Amounts recognised as inventory</b>		
Architectural fees	129,236	1,492,139
	<u>129,236</u>	<u>1,492,139</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	129,236	1,492,139
	<u>129,236</u>	<u>1,492,139</u>

There are no 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 \$2,101,285 (2012 - \$1,020,400) 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% (2012 - 32.5%) by the group. The guarantee has been given in relation to performance undertakings given by CWWL. No amount (2012 - nil) was advanced in relation to this guarantee during the year as part of an interest bearing loan to CWWL, with interest charged at 16%-17% (2012 - 15%-17%).

Cedar Woods Properties Limited has also provided bank guarantees (contingent instruments) to various state and local authorities on CWWL's behalf totalling \$nil (2012 - \$30,700) supporting CWWL's development and maintenance commitments. CWWL meets the bank's cost of issuing these bank guarantees.

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

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

	2013	2012
	\$	\$
<b>Current receivables (sales of goods and services)</b>		
Cedar Woods Wellard Limited	1,425	1,111
	<u>1,425</u>	<u>1,111</u>

### (g) Loans to related parties

#### Loan to Cedar Woods Wellard Limited

Beginning of the year	9,493,741	9,895,259
Loan repayments received	(3,500,000)	(2,000,000)
Interest charged	1,675,082	1,598,482
End of year	<u>7,668,823</u>	<u>9,493,741</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:

	2013	2012
	\$	\$
<b>PricewaterhouseCoopers – Australian firm</b>		
<i>Assurance services</i>		
- Audit and review of the financial statements of the parent entity, controlled entities and co-development projects	172,383	164,769
<i>Non-audit services</i>		
- Accounting advisory services	8,000	1,955
- Taxation advice and reviews	88,857	23,350
Total remuneration for other services	96,857	25,305
	<u>269,240</u>	<u>190,074</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

The employee share plan has been discontinued. Under the plan, certain employees were granted shares funded by interest free loans from the company and repaid by dividends. At 30 June 2013, \$40,000 (2012 - \$46,000) remained outstanding from employees in relation to loans granted in financial years prior to 2010. 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.

	2013	2012
	\$'000	\$'000
<b>Financial assets</b>		
Cash and cash equivalents	3,017	366
Trade and other receivables	10,083	11,283
Available-for-sale financial assets	8,073	6,189
	<u>21,173</u>	<u>17,838</u>
<b>Financial liabilities</b>		
Trade and other payables	20,951	16,179
Other financial liabilities	11,603	10,994
Borrowings	40,779	4,188
Derivative financial instruments	1,565	2,165
	<u>74,898</u>	<u>33,526</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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 2013 the interest rate was 16% (2012 - 16%). 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 swap contracts under which a significant part of the consolidated entity's projected borrowings are protected for the period from 1 July 2013 to 2 June 2015.

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% (2012 - 4.06% - 6.0%) per annum. Swaps currently in place cover the 98% (2012 - 100%) of the variable loan outstanding at balance date, with terms expiring in 2014 and 2015.

The consolidated entity's policy is to limit a significant proportion of its borrowings to a maximum fixed rate using interest rate swaps or caps to achieve this when necessary. The swaps described above covered 98% of the bank loan at balance date because the balance of the loan was \$41,087,000 (2012 - \$4,499,000), being at the lower end of the company's available facilities.

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

	2013			2012		
	INTEREST BEARING - VARIABLE	NON INTEREST BEARING	TOTAL	INTEREST BEARING - FIXED	NON INTEREST BEARING	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Receivables</b>						
Other receivables	-	3,409	3,409	-	2,779	2,779
Employee share loans	-	40	40	-	45	45
Loan to associated entity	7,669	-	7,669	9,494	-	9,494
	7,669	3,449	11,118	9,494	2,824	12,318
Weighted average interest rate	16%			16%		

	2013			2012		
	INTEREST BEARING - FIXED	INTEREST BEARING - VARIABLE	TOTAL	INTEREST BEARING - VARIABLE	NON INTEREST BEARING	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Borrowings</b>						
Bank loans	-	41,087	41,087	-	4,499	4,499
Vendors of land	11,603	-	11,603	10,994	-	10,994
	11,603	41,087	52,690	10,994	4,499	15,493
Weighted average interest rate	4.82%			5.43%		

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 financial 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.

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. 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. The fixed return is preferential to any return being received by the other ordinary unit holder and the consolidated entity is represented on the board of the trustee company. The maximum exposure to credit risk at the reporting date is the carrying amount of the available-for-sale financial asset.

In relation to the loan to Cedar Woods Wellard Limited as set out in notes 12 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 \$24,120,000 (2012 - \$36,395,000) and the balance of the first ranked bank loan is \$5,320,000 (2012 - \$18,020,000), 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 2013 the group had undrawn committed facilities of \$57,500,000 (2012 - \$98,900,000) and cash of \$3,017,000 (2012 - \$366,000) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GROUP – AT 30 JUNE 2013	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
<b>Non-derivatives</b>					
Non-interest bearing	20,951	-	-	20,951	20,951
Fixed Rate	12,060	-	-	12,060	12,060
Variable rate	-	-	47,065	47,065	41,087
<b>Derivatives</b>	999	600	-	1,598	1,565
<b>Total</b>	<b>34,010</b>	<b>600</b>	<b>47,065</b>	<b>81,674</b>	<b>75,663</b>

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
<b>Non-derivatives</b>					
Non-interest bearing	16,180	-	-	16,180	16,180
Fixed Rate	-	12,060	-	12,060	12,060
Variable rate	-	-	5,240	5,240	4,499
<b>Derivatives</b>	863	867	526	2,256	2,165
<b>Total</b>	<b>17,043</b>	<b>12,927</b>	<b>5,766</b>	<b>35,736</b>	<b>34,904</b>

## (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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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
- 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 its ability to continue as a going concern, so that it 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 2013 and 30 June 2012 were as follows:

	NOTE	2013	2012
		\$'000	\$'000
Total interest bearing bank debt	25	41,087	4,499
Less: cash and cash equivalents	7	(3,017)	(366)
Net debt		38,070	4,133
Shareholders' equity		207,744	184,626
Gearing ratio		18.3%	2.2%

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. PARENT ENTITY FINANCIAL INFORMATION

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

	2013	2012
	\$'000	\$'000
<b>Balance sheet</b>		
Current assets	38,435	30,796
Total assets	241,570	203,999
Current liabilities	(46,680)	(59,525)
Total liabilities	(89,240)	(66,033)
Net assets	152,330	137,966
<i>Shareholders' equity</i>		
Issued capital	83,795	79,325
Retained earnings	68,535	58,641
	152,330	137,966
Profit for the year	27,584	20,527
Total comprehensive income	27,584	20,527

#### (a) Contingent liabilities of the parent entity

At 30 June 2013 bank guarantees totalling \$11,411,133 (2012 - \$6,578,474) 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 2013 financial year is 15.0 cents per share, fully franked. The dividend will be paid on 30 October 2013.

## 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](http://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 2013
Dividend announcement	21 August 2013
Share register closes for dividend (Record date)*	4 October 2013
Dividend reinvestment plan and Bonus share plan price announcement	11 October 2013
Dividend reinvestment plan election date	18 October 2013
Final dividend payment date	30 October 2013
First quarter update	October 2013
Annual General Meeting	1 November 2013
Half-year result announcement	February 2014
Interim dividend payment date	30 April 2014
Third quarter update	May 2014
Full year result and dividend announcement	August 2014

\* Based on the register closing date it is anticipated that shares will trade ex-dividend on 30 September 2013. Shareholders should check with their broker prior to trading.

## Shareholder information

The shareholder information set out below was applicable at 31 August 2013.

### DISTRIBUTION OF ORDINARY SHARES

	NUMBER OF HOLDERS	NUMBER OF SHARES
1 – 1,000	787	403,853
1,001 – 5,000	1,132	3,090,414
5,001 – 10,000	409	3,072,895
10,001 – 100,000	405	10,863,243
100,001 and over	55	55,929,146
	2,788	73,359,551

There were 106 holders of less than a marketable parcel of ordinary shares.

## TWENTY LARGEST SHAREHOLDERS OF ORDINARY SHARES

NAME	NUMBER OF SHARES	PERCENTAGE OF SHARES
National Nominees Limited	8,962,961	12.22
Hamsha Nominees Pty Ltd	6,152,437	8.39
JP Morgan Nominees Australia Limited	4,679,446	6.38
Westland Group Holdings Pty Ltd	4,639,980	6.32
Zero Nominees Pty Ltd	4,200,000	5.72
Australian Foundation Investments Company Limited	3,860,216	5.26
Australian Executor Trustees Limited	3,557,729	4.85
HSBC Custody Nominees (Australia) Limited	2,790,330	3.80
Beach Corporation Pty Ltd	2,772,159	3.78
Helen Kaye Poynton	1,677,095	2.29
Joia Holdings Pty Ltd	1,148,957	1.57
Mr Paul Sadleir	1,023,358	1.39
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	846,256	1.15
HSBC Custody Nominees (Australia) Limited (NT - Commonwealth Super Corp A/C)	700,174	0.95
ESA Securities Pty Ltd	664,486	0.91
Citicorp Nominees Pty Ltd	600,311	0.82
BNP Paribas Noms Pty Ltd	579,692	0.79
R S & J P Brown Super Fund A/C	533,669	0.73
Croftwell Pty Ltd	525,209	0.72
A & P Gerraty Super Fund A/C	525,000	0.72
	50,439,465	68.76%

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## SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

As disclosed in substantial shareholder notices lodged with the ASX at 31 August 2013.

NAME	NUMBER OF SHARES	PERCENTAGE OF SHARES <sup>1</sup>
William George Hames and related entities	9,314,668	12.90%
Robert Stanley Brown and related entities	7,937,627	10.87%
Acorn Capital Limited	6,256,749	8.67%
Westoz Funds Management Pty Ltd	4,493,661	6.13%
Australian Foundation Investment Company Limited	3,371,170	5.80%
Invesco Australia Limited	3,210,743	5.29%

<sup>1</sup> 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.

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