CELEBRATING
TWENTY YEARS
AS AN ASX
LISTED COMPANY

Cedar Woods Properties Limited

2014 Annual Report

ABN 47 009 259 081

Cedar Woods | Award Winning Property Developer

CELEBRATING TWENTY YEARS
AS AN ASX LISTED COMPANY

Corporate Directory

A.B.N. 47 009 259 081

Directors

William George Hames, BArch (Hons) MCU (Harvard) LFRAIA, MPIA, FAPI (Econ) – Chairman
Robert Stanley Brown, MAICD, AIFS – Deputy Chairman
Ronald Packer, BCom (UWA), FAICD, Solicitor Supreme Court of England & Wales
Stephen Thomas Pearce, BBus(ACC), Grad Dip (Admin), FCA, AGIA, MAICD
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 (ASX)
ASX code: CWP

Annual general meeting

Venue: Kings Park Function Centre, Fraser Avenue, West Perth WA 6005
Time: 10.00am
Date: Monday 10 November 2014

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CELEBRATING 20 YEARS
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A Message from the Chairman

On behalf of the Board and management team, I am pleased to present to shareholders our Annual Report for 2014.

From a financial perspective, the 2014 financial year saw Cedar Woods deliver its fourth straight year of record profit and enter 2015 well placed to continue to provide strong returns to its shareholders.

The 2014 financial year was also an important one for the company in many other ways.

Having listed in 1994 on the Australian Securities Exchange, this year Cedar Woods celebrates its twentieth anniversary as a public company. At our forthcoming Annual General Meeting and at a series of other events, the company will be looking back over the past twenty years to acknowledge the progress that has been made and to celebrate this important milestone.

Reflecting on Cedar Woods' history, we can be proud of what has been achieved to date and look forward to the future with a sense of purpose and confidence. The company's origin as a private company dates back to 1987 and the period up to listing saw Cedar Woods involved with a land portfolio concentrated around canal development in Mandurah, Western Australia. Twenty years on, Cedar Woods has grown a significant and diversified portfolio across three state capitals and has also established a major presence in regional Western Australia. The company's progress and growth was recognised late last year by its inclusion in the S&P ASX 300 index.

Over the years, I have had the pleasure to work with an excellent Board, with directors who are engaged and enthusiastic about Cedar Woods. It was pleasing that in May 2014, Stephen Thomas Pearce joined the Board as another independent director. Stephen brings his financial knowledge and capital market experience to the Board and its Audit & Risk Management Committee. Your Board remains of the view that the company has a sound strategy and an exciting future.

View the 20th Anniversary video at: cedarwoods.com.au

If I could summate what I believe to be Cedar Woods' core strengths, they are persistence and commitment. We determine a long term strategy and remain committed to the purpose.

Cedar Woods is a well-managed company focused on growth and consistent improvement. Our Managing Director, Paul Sadleir, and his management team have taken a disciplined approach to executing the company's strategy, which, just this year, has seen us deliver the first commercial buildings in the Williams Landing town centre, our first project in the Pilbara (Western Australia), and expansion into the State of Queensland.

These strategic objectives were determined by the Board and the ground work was carefully laid by our management team over many years. This demonstrates the long term vision necessary to prosper in our industry.

It is a credit to the entire Cedar Woods' team that they have achieved so much in 2014 and, indeed, over the past twenty years. The Board acknowledges the hard work and commitment from management and staff - past and present - and thanks them for their efforts.

In addition, the Board acknowledges the contribution of many of its loyal and longstanding shareholders, some of whom have been with the company since listing, and the many other stakeholders who have contributed to Cedar Woods' story.

I hope I have the opportunity to catch up with many of you to reflect on this story, as we look forward to the next twenty years.

William Hames – Chairman

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Celebrating 20 Years

1994

Listed on Australian Stock Exchange

IPO raised $8 million

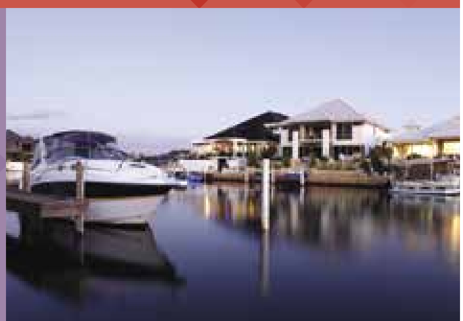
1998

First Melbourne project acquired

1999

Launched Mariners Cove

Port Mandurah wins third UDIA Award



2002

Established Victorian office

Diversified into medium density developments

2004

10 years as an ASX listed company

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2006

Acquired two more Melbourne projects

2008

Nautilus Apartments wins UDIA Award for best high density development

Won first two WA State Government tenders

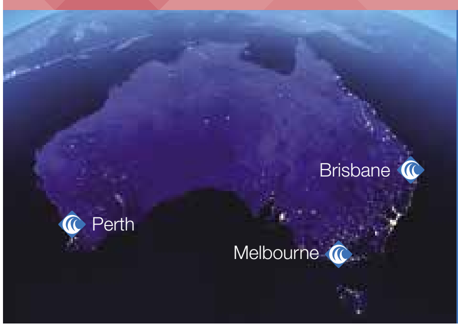
2011

Launched first regional project in the Pilbara

2013

Entered ASX300 with a market cap of $550m

Banbury Village wins two UDIA awards



2014

20 Years as an ASX Listed Company

Expanded portfolio into Queensland

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About Cedar Woods

Cedar Woods Properties Limited is an Australian property development company. The company was established in 1987 and has been listed on the Australian Securities Exchange since 1994, trading under the security code ‘CWP’. Its market capitalisation is approximately $550m.

The company’s principal interests are in urban land subdivision and built form development for residential, commercial and industrial purposes. Its portfolio of assets is located in Western Australia, Victoria and Queensland. The board and management of Cedar Woods have extensive experience in the property industry, with particular expertise in adding value to land holdings through the achievement of government and local authority approvals and the planning, design and delivery process.

Cedar Woods has consistently generated profits and dividends for shareholders, whilst achieving excellence in product delivery, as recognised by several national awards and many state awards, including the categories “Best Residential Estate” and “Environmental Excellence” and most recently, “Best High Density Development”. In the investor relations arena, the company is a past winner of three ARA silver awards for its Annual Report.

Cedar Woods’ projects are sensitively developed with consideration for environmental and community interests and built to a high quality that is renowned in the marketplace. Through the rapid expansion of its built form development portfolio, Cedar Woods has earned a reputation of delivering high quality apartments for both the owner-occupier and investor market.

The company has a strong focus on shareholder value and its record in delivering quality developments to the market has produced a strong earnings stream, providing consistently high returns to shareholders.

New report format

This report has been restructured in FY2014 to merge the annual and financial reports which were published separately in prior years. The notes to the annual report have also been reordered into a more user-friendly style.

Information about specific aspects of Cedar Woods Properties Limited’s financial position and performance is presented together. For example there are separate sections for risks, the group structure and unrecognised items. Colour-coding helps finding relevant information quickly.

Cedar Woods Properties has also taken the opportunity to publish the Corporate Governance statement on our website rather than include in this report. A copy of the 2014 Corporate Governance statement can be downloaded from www.cedarwoods.com.au

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Cedar Woods' Charter

We are Cedar Woods Properties, an ASX 300 company with a proud history of creating communities across Australia through high-quality property development.

Our purpose is to create long-term value for our shareholders through the disciplined acquisition, development and marketing of properties that meet the needs of our customers.

A significant part of our business involves creating vibrant residential communities, typically in capital city growth corridors, with supporting retail and commercial developments. We are also active in the redevelopment of major infill sites where we deliver medium and high density residential dwellings.

Project visioning in collaboration with our key stakeholder groups to produce quality sustainable outcomes is one of our core values.

Our customers are influenced by interest rates, the economic outlook and Government policies. Demand in the metropolitan and regional markets in which we operate is uneven and fluctuates in response to these factors.

Our strategy is to grow and develop our national project portfolio, diversified by geography, product type and price point, so that it continues to hold broad customer appeal and performs well in a range of market conditions.

Against this backdrop, we manage our portfolio with the aim of delivering consistent annual growth in profits and dividends.

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Our Business Model

Acquisition of properties	Development	Marketing and Sales
• Identify projects that meet defined criteria and fit with Corporate Strategy. • Assess in accordance with defined parameters and financial targets. • Major risks are identified and contracts structured to minimise risks. • Joint ventures used where required or appropriate.	• Undertake project visioning to fulfil company performance standards and ensure sustainable outcomes. • Conduct research. • Assess design against financial and non-financial objectives. • Achieve required approvals. • Manage construction to meet annual budget.	• Prepare marketing and sales campaigns. • Launch projects and achieve sufficient pre-sales to underwrite each stage of project development. • Regular monitoring of sales conditions and buyer groups. • Manage settlements.
We have a disciplined approach to the acquisition of new projects ensuring fit with the Corporate Strategy, earnings forecast and defined project criteria. We have a well-established network of contacts to identify and present sites for assessment and an experienced team of staff ready to conduct due diligence on sites that meet our criteria. We seek projects with strong points of difference and continually evaluate opportunities, looking for the optimum portfolio mix.	We have well established procedures for the research, design, planning and delivery of our projects as outlined in our annual Sustainability Report. The expertise of our professional staff, supplemented by the appointment of the best available consultants and contractors is a key part of getting the best project outcomes and managing project risks. We have strong relationships with various Government agencies and consider this an important part of successful property development.	A strong sales and marketing function is an important part of the company's business model. We have an experienced team fulfilling this function and a well-established approach to marketing projects. We understand how to position projects to maximise demand and create marketing campaigns that will ensure sales budgets are met or exceeded. The presentation of our projects and customer service underpin our sales results.
Achievements Numerous projects were assessed in VIC, WA and more recently south east QLD, which is seen as an attractive geographical diversification to add to the portfolio. Acquisitions were made at Byford on the Scarp (WA), Clayton South (VIC) and Upper Kedron (QLD).	**Achievements** Important planning, design and delivery outcomes achieved: *Victoria* • Rezoning of St Albans site • Completed Masters Home Improvements store (Williams Landing) • Delivery of numerous stages at Realm Camberwell, Williams Landing and Banbury Village Footscray • Commenced construction of the Williams Landing Shopping Centre. *Western Australia* • Elements project completed (Hedland). • Approvals advanced at Bushmead, Mangles Bay and Brabham. • New stages at Rivergums, Piara Central and Emerald Park.	**Achievements** We are in a strong presales position for FY15 due to the successful marketing and sales of stages in new and existing projects. The company has approximately 50 per cent of the necessary presales for FY15. Several new campaigns were launched including The Brook at Byford (WA), Clara (VIC) and apartments at Banbury Village (VIC). The company continued its community engagement and sponsorship program with several successful initiatives.

Our Stakeholders

We recognise the important role our stakeholder groups play in the implementation of our business model. We define successful relationships, together with the related measurement techniques, as follows:

Shareholders and investors:

- Shareholders support the company by way of their initial investment and participation in the dividend reinvestment plan, bonus share plan and share purchase plans offered from time to time.
- The company delivers profit and earnings growth within safe gearing limits and growing dividend payments, measured against our Corporate Plan and Budget objectives.
- The company delivers effective communication of its progress, measured by surveys of institutional shareholders, questions received at the AGM from shareholders, proxy advisor reports, website patronage and feedback from entries to Australian reporting awards.

Employees:

- Employees consider Cedar Woods a desirable employer with a high standard of integrity, able to offer personal development, career progression and a fair and safe workplace. Measures include low staff turnover compared to industry norms, development and career progression monitoring, company awards, participation in corporate social responsibility activities, safety record and progress with diversity objectives.

Customers:

- Our customers refer their friends and families to us.
- Customer satisfaction is high and sales targets are reached.
- Measures include pre-development workshops, customer surveys, monitoring of complaints.

Consultants/contractors/suppliers:

- The best groups want to work with us.
- They assist the company in meeting its purpose.
- Monitoring of consultants' and contractors' performance is assisted by way of bi-annual performance reviews, measured against set criteria.

Local / State / Federal Governments and Agencies:

- Cedar Woods is viewed as a competent and trustworthy company and joint venture partner.
- Measures include monitoring of the quality and timing of approval outcomes and review against original feasibility criteria, internal performance assessment.

Industry bodies:

- Cedar Woods is viewed as a valuable partner by industry groups such as the Urban Development Institute of Australia, Housing Industry Association, Property Council of Australia, Australian Property Institute, Australian Institute of Company Directors and Committee for Perth
- Measures include development awards issued by the industry bodies.

Community and environmental groups:

- We consult widely with these groups in the planning and delivery of all of our projects. Engagement with community groups also occurs with community based events and sponsorship initiatives.

All Stakeholder groups:

- Cedar Woods is seen as a responsible corporate citizen with strong ethics and a track record of environmental leadership.

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Community Development and Sponsorship

Cedar Woods' key objectives in Community Development Strategy are to:

- Focus on creating community wellbeing
- Nurture a strong sense of community in new and existing developments
- Maximise social and environmental connectedness

Cedar Woods recognises that the success of this program is largely reliant on the strength of the partnerships we develop with both local and state governments, the not-for-profit sector and the local/regional services and amenities available in each individual community.

Cedar Woods strives to be facilitative and collaborative in our approach to community development and sponsorship in order to achieve these goals.

Community Development

Throughout FY2014, Cedar Woods has contributed to various not-for-profit organisations and has provided communities a range of engaging events.

- One of the highlights during FY2014 was the Cubby House challenge, where Cedar Woods raised $6,000 for the Kids Under Cover Organisation and won the People's Choice Award at the auction of their designer cubby.
- Community focused events included The Rivergums Movie Night (WA), the Piara Central Easter Event (WA) and the Emerald Park Summer Living Event (WA) where current and future community residents were engaged through a range of family friendly entertainment and activities.

Cedar Woods looks forward to continuing community engagement and development through a range of fund raising initiatives and events.

Neighbourhood Grants

At the heart of the Cedar Woods' community development strategy is our Neighbourhood Grants program.

Since launching the Neighbourhood Grants program in 2009, Cedar Woods has helped many grass roots community organisations in and around our developments, awarding over $100,000 in grants to date.

This is a significant contribution that has been shared amongst over 70 community groups, who provide services directly to our communities and the surrounding areas.

Grant recipients are chosen because:

- They each have diverse interests enabling us to help a wide section of the community
- They offer valuable services that Cedar Woods wants to help grow and provide residents and the wider community a chance to get involved, be active and socialise.

Currently active at Emerald Park (WA), The Rivergums (WA) and Williams Landing (VIC), the Neighbourhood Grants program will continue into FY2015 to continue to assist residents and the surrounding community.

Sponsorship

Cedar Woods' sponsorship activity in FY2014 saw a continuation of our long term involvement in a variety of community, industry and corporate sponsorships.

In addition, we also gave our support to a number of worthy causes such as the Murdoch University "Discover Your Potential Scholarship" and the Perth International Arts Festival.

In the 2015 financial year Cedar Woods will continue to support a range of community focused causes.

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Report to Shareholders

On behalf of the Board, we are pleased to present the financial and operating review of Cedar Woods Properties to shareholders.

Financial and Operating Review

The following summarises the results of operations during the year and the financial position of the consolidated entity at 30 June 2014:

a) 2014 financial highlights

- **Revenue of $214,465,000, up 24 per cent;**
- **record net profit of $40,313,000, up 11 per cent;**
- **full year dividends of 27.5 cents per share, up 6 per cent;**
- **earnings per share of 54.4 cents, up 9 per cent;**
- **low level of bank debt;**
- **strong interest cover;**
- **$135,000,000, three year bank facility extended to November 2016.**

b) 2014 financial results summary

Year ended 30 June	2014 $'000	2013 $'000	% Change
Revenue	214,465	172,751	24.1
Net profit after tax	40,313	36,337	10.9
Total assets	409,948	301,024	36.2
Net bank debt	32,602	37,762	(13.7)
Shareholders' equity	261,601	207,744	25.9

c) Key performance indicators

Year ended 30 June		2014	2013	% Change
Basic earnings per share	¢	54.4	49.9	9.0
Dividends per share – fully franked	¢	27.5	26.0	5.8
Return on equity *	%	15.4	17.5	(2.1)
Return on capital *	%	19.1	21.6	(2.5)
Total shareholder return (1 year)	%	46.6	53.8	(7.2)
Net bank debt to equity – 30 June	%	12.5	18.2	(5.7)
Interest cover	x	10.4	12.6	(17.5)
Net asset backing per share – historical cost	$	3.34	2.83	18.0
Shares on issue – end of year	'000	78,336	73,360	6.8
Stock market capitalisation at 30 June	$'000	572,639	379,269	51.0
Share price at 30 June	$	7.31	5.17	41.4

* Return on equity and return on capital are based on the 30 June 2014 balance sheet, subsequent to the May / June 2014 equity raising.

d) Financial year overview

The 2014 financial year was an exciting year for the company with a number of important milestones achieved. In the first half the company's progress and growth was acknowledged when it was admitted into the S&P ASX 300 Index for the first time. The company also achieved completion of its first commercial development at the Williams Landing Town Centre in Melbourne, with the opening of the Masters Home Improvement store in December 2013.

In the second half, the company conducted a $30m equity raising, comprising a $25m institutional placement and $5m share purchase plan which received a strong response from shareholders and closed oversubscribed. The company made its first land acquisition in Brisbane, marking its strategic entry into the Queensland property market. At the end of the year the company completed its first project in the Pilbara, with the development of the Elements estate in South Hedland.

Significant progress was made with stages developed across the company's property portfolio of active projects. In addition, plans and approvals were progressed for a number of developments anticipated to commence in future years, with important planning milestones achieved at the Bushmead, North Baldivis, Mangles Bay (WA) and St Albans (VIC) projects. Further details of achievements in the property portfolio follow in the next section.

The year closed with a record full year net profit of $40.3m, being the fourth consecutive year of record profit and earnings, allowing the Board to declare a record full year dividend of 27.5 cents per share.

As a result, earnings per share for FY2014 was 54.4 cents, providing an increase of 9 per cent on the previous year.

Return on equity of 15.4 per cent and return on capital of 19.1 per cent were well above the company's benchmarks of 12 per cent and 14 per cent respectively.

e) Operational Review of Developments

Dwelling sector indicators across the nation point to a pick-up in activity spurred by low interest rates, with the HIA economics group forecasting a 7 per cent increase in annual housing starts for calendar 2014, with solid demand continuing in 2015. The strong inbound migration and a shortage of supply continue to provide the underlying fundamentals to support growing demand for residential property.

In Victoria, residential lot sales and new home sales were well above the September 2012 cyclical low point and demand remains strong for well located property close to transport infrastructure and other amenities. The shortage of supply in key precincts has led to solid price gains in 2014.

In WA, strong ongoing population growth, relatively low unemployment and positive consumer confidence has underpinned the WA property market, with solid conditions over the last 12 months. Demand from first home buyers has levelled off with upgraders and investors now driving the middle – upper market.

In Queensland, State Treasury is forecasting economic growth in FY2015 and FY2016 faster than every other State in Australia, with dwelling investment the main driver in FY2015. Queensland is at an earlier phase in the housing cycle than the other States and an upswing in activity is expected over the next three to four years.

i. Western Australia

Activity levels improved significantly at the company's current Western Australian land estates, with price levels moderately increasing during the year.

In August 2013, the portfolio of projects in WA was enhanced with the acquisition of 35.3 hectares of new land at Byford on the Scarp for $9.3m. This acquisition followed the purchase of 32.3 hectares in February 2013 (since launched as 'The Brook at Byford') giving a combined total landholding of some 68 hectares or over 670 residential lots in this fast growing corridor. The acquisition continued a strategy to acquire and develop land in corridors where the company has previously been unrepresented in recent years. Sales at the Byford projects have been encouraging, with these projects expected to contribute to earnings over a number of years.

At The Rivergums Baldivis, strong activity levels continued after the opening of the Baldivis Secondary College with the company releasing lots in adjoining stages. Similarly high levels of activity were recorded at Emerald Park in Wellard with all available lots selling out during the year.

The Carine Rise project, a co-development between LandCorp, Cedar Woods and the St Ives Group will transform the former TAFE site in Perth's middle northern suburb of Carine, into a multi-use precinct incorporating residential aged care, a retirement village, residential lots, townhouses and apartments. The civil works were completed during the year with all but six of the titled lots sold and settled, which will enable the built form components to be undertaken in due course.

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Elements at South Hedland is the first Cedar Woods project in the burgeoning Pilbara region consisting of over 130 lots on 11 hectares. Working with project partners, mining companies, builders and, importantly, local residents and businesses, Cedar Woods has completed the development and delivered the titled lots during the second half. Almost all of the lots are sold, helping to satisfy the strong housing demand in the area. The first settlements commenced in FY2014, continuing into FY2015.

The company has invested, along with a private syndicate, in the Batavia Marina Apartments, on the waterfront in Geraldton in the State's mid-west. The project comprises 50 luxury apartments and four retail tenancies, mostly with marina and ocean views. The development was completed in late 2013 and settlement of the sold apartments commenced in the first half and continued in the second half. However, the rate of sales has been slower than initially anticipated and although forecast income for the project has not changed significantly, the company took the decision in the first half to write down the carrying value of its interest by $700,000 to $7.4m, as realisation of its investment will be over a longer period than previously anticipated.

Approval milestones were achieved at three projects in the portfolio that are expected to contribute significantly to the company's future prospects. At Bushmead, the Town Planning Scheme amendment was approved by the City of Swan in May 2014. At North Baldivis, the City of Rockingham at its March Council meeting initiated an amendment to its town planning scheme to rezone the area of CWP's landholding zoned Urban in the Metropolitan Region Scheme from Rural to Development Zone. The Mangles Bay Marina development in Rockingham has also recently received State Ministerial environmental approval.

ii. Victoria

The company's major residential projects in Victoria performed well during the year, continuing to record strong pre-sales and good levels of enquiry. Several new residential stages were completed at the Williams Landing, Banbury Village and Camberwell developments, and strong pre-sales have already been recorded for delivery in FY2015.

During the first half, the company completed construction of the new Masters Home Improvement store in the Williams Landing town centre, with the store opening for business before the busy Christmas trading period. Early in the second half, the company commenced the development of the first stage of the Williams Landing Shopping Centre. The 6,750m^2 centre will comprise a Woolworths supermarket and 24 speciality shops and kiosks. The centre, which is expected to be completed by mid FY2015, will also incorporate 1,760m^2 of office space on two storeys. These developments, together with the opening of a new 45 home builder display village, have boosted demand for the company's residential lots and interest in the Williams Landing Town Centre.

The company's project at St Albans received a major boost in November when Brimbank City Council adopted an amendment to rezone the 6.8 hectare site from industrial to residential. Work on the site is expected to commence in mid-2015 with residents moving in halfway through 2016.

In November 2013, the company acquired a 6.5 hectare infill site in Clayton South, 19 kms south east of Melbourne's CBD for $25.3m. The site is approved for residential use and is expected to yield approximately 250 dwellings with a range of housing solutions, including townhouses and apartments. The acquisition will be settled in August 2014, with construction expected to commence in 2015 and first settlements planned for 2016.

iii. Queensland

In May 2014 the company made its first investment in Queensland with the purchase of 227 hectares of land at Upper Kedron, 13 kms west of Brisbane's CBD.

Cedar Woods will pay $68m plus GST over four and a half years for the project and will develop a master-planned residential community on the site, providing more than 1,000 lots over 10 years. The acquisition was funded by the May share placement and Cedar Woods' corporate debt facilities.

The project is close to transport infrastructure and other amenities and there are no other major master-planned development sites in the Brisbane City area – all factors which make Upper Kedron an attractive proposition and consistent with the company's selection criteria.

Cedar Woods plans to deliver a high-quality development at Upper Kedron to attract a mix of buyer segments, with particular focus on second and third home buyers. Planning for the site is underway and is expected to take six to nine months. Construction of the first stage is expected to take approximately nine months.

f) Corporate Objectives, Strategy and Risks

Cedar Woods' Corporate Plan guides management's activities and provides a five year outlook for the company, projecting earnings and other key performance indicators.

Cedar Woods' primary objective is to create value for shareholders as it aims to deliver strong year on year growth in net profit and earnings per share and put the company in the top half of all listed industrial companies based on financial performance. This year, the company reported full year net profit growth of 11 per cent and dividend growth of 6 per cent.

The Corporate Plan sets out a number of key action items and strategies focused on achieving delivery of earnings growth and addressing key risk factors. These key actions are implemented as performance targets by senior executives, sales managers and other employees.

In addition, twice each year our Audit and Risk Management Committee assesses risk factors that may affect the company including specific risks affecting individual projects and more general risks affecting our business sector.

The overarching strategic objective is to grow and develop our national project portfolio, diversified by geography, product type and price point, so that it continues to hold broad customer appeal and performs well in a range of market conditions.

The company's strategies, as set out in the Corporate Plan and shown in our business model on page 10 are:

i. Acquisition of properties

In the last year the company bolstered its land bank by completing a number of key acquisitions. New land was purchased at Byford in Perth, Clayton South in Melbourne and Upper Kedron in Brisbane. The focus on the project pipeline guides management's activities by ensuring there is sufficient diversity of product to meet the company's ongoing earnings objectives in the years ahead and influences the company's acquisition strategy.

A summary of the project pipeline may be found at the end of this Financial and Operating Review.

Cedar Woods' core competency is in property development and the company continues to achieve industry-leading design, delivery and marketing of projects to maximise returns.

ii. Development

The company has a strategically located and diverse residential portfolio in urban and regional growth areas in Victoria, WA and Queensland, offering a wide spectrum of dwelling product and price points to consumers. The company's offerings include small affordable housing lots at its residential estates through to high-end luxury apartments at boutique waterfront developments.

Cedar Woods utilises joint ventures and co-development arrangements to diversify the company's revenue streams and efficiently manage its capital. This year, the company completed the Carine Rise project, an important co-development with LandCorp and has progressed development by Cedar Woods Wellard Limited, which generates ongoing revenue by way of management and selling fees.

Cedar Woods will build a limited number of commercial and retail property assets at Williams Landing and at other estates, where the development of those buildings is consistent with the estate's master plan objectives. The long term ownership of those assets will be balanced against the company's capital management objectives and acquisition opportunities. Developments may be sold once they have achieved the amenity objectives and their valuations have matured, with disposals likely to become a regular component of the company's future revenue stream.

ii. Marketing and sales

The company continually assesses the markets in which it operates in order to ensure it has a wide offering of product to meet customer demand. Achieving sufficient pre-sales underwrites each development and is an important performance indicator for management. The company has successfully launched new projects at Elements in South Hedland, Carine Rise and Byford on the Brook in Perth and at Clara, at Williams Landing in Melbourne during the year.

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g) Risks

The general risks to company performance include those relevant to the property market including government policy in relation to immigration and support for the housing industry generally, the environmental policy framework, monetary policy set by the Reserve Bank of Australia, the strength of the labour market and consumer confidence.

The company is also exposed to the property cycles in the markets in which it operates, i.e. Western Australia (regional and metropolitan), Victoria (metropolitan) and Queensland (metropolitan). The fluctuations in demand in these markets represent a risk to achieving the company's financial objectives. The company aims to mitigate this risk by operating in diverse geographical markets and offering a wide range of products and price points to consumers.

There has been recent speculation in the media that future house price growth will be below the rate of inflation. Whilst house and land prices fluctuate, underlying demand will be driven by population growth. In the past, the company has achieved its profit objective by managing both prices and volumes through the property cycle.

Individual projects are exposed to a number of risks including those related to obtaining the necessary approvals for development, construction risks and delays, pricing risks and competition. The company aims to balance its portfolio at any time in favour of mature projects where the project risks are generally diminished.

h) Capital management

The company enhanced its credit facilities during the year, increasing the corporate bank facility limit from $110m to $135m, and extending the tenure by a further year to November 2016. In addition, a new $23m bank facility was progressed to facilitate the development of the Williams Landing Shopping Centre. In June 2014, the company completed a $30m equity raising, comprising a $25m institutional placement and a $5m share purchase plan, considerably strengthening the balance sheet. The year concluded with a low net debt to equity of 12.5 per cent at year end, temporarily below the company's target debt to equity range of 20-75 per cent. Interest cover was at a favourable 10.4 times.

The dividend policy, which is to distribute approximately 50 per cent of the annual net profit, was maintained. The dividend reinvestment plan and bonus share plans remained in operation for both of the dividends paid during the year, although these have been suspended for the final dividend payable in October 2014 due to the company's strong financial position.

i) Sustainability Reporting and Corporate Governance Report

These reports are available as separate downloadable documents on our website www.cedarwoods.com.au under the Corporate Governance and Shareholder reports pages.

j) People

Our management team continues to expand to support the growth in the business.

Cedar Woods remains committed to an inclusive workplace that embraces and promotes diversity and during the year the company embellished its workplace policies to further those objectives. The diversity policy sets out a framework for the company's diversity-related initiatives, strategies and programs. Commentary is provided in the Corporate Governance Statement on the company's website.

The company has continued to actively support a range of industry groups including the Property Education Foundation of WA which focuses on improving property professionals' skills. In 2014, Cedar Woods participated in promotional activities with the Foundation to help attract graduates to the development industry.

k) Board Matters

The board is conscious of its duty to ensure the company meets its performance objectives. During the year the board and its committees reviewed their respective charters and performance to ensure they were properly discharging their responsibilities. The charters were updated during the year as required and are published on the company's website.

During the year, the company undertook a director recruitment exercise, utilising a specialist recruitment firm. The Board's skill matrix and Corporate Plan helped identify the required attributes for the new director. Mr Stephen Pearce was appointed on 16 May 2014 and his financial knowledge and capital market experience strengthens the Board and its Audit and Risk Management Committee. The Audit and Risk Management Committee now has a majority of independent directors.

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l) Outlook

The Australian economy is forecast to grow slightly below trend in FY2015 as the construction phase of the resources boom continues to wind down. However, the underlying fundamentals of the property market remain solid, particularly in Western Australia, Victoria and Queensland, where the company's portfolio is located. Strong levels of inbound migration, and historically low interest rates are expected to continue to support the property market, to some extent tempered by the higher unemployment rate and softening consumer confidence.

The medium-to-long term prospects of the residential property sector remain positive in the states in which the company operates. The Western Australian economy is forecast to grow at 2.75 per cent in FY2015 with population growth of 2.1 per cent. Victoria's economy is expected to grow at a steady 2.5 per cent in FY2015, with population growth of 1.8 percent anticipated. The Queensland economy is expected to grow at 3.0 per cent in FY2015 with 2.0 per cent population growth. (State Treasury forecasts).

Cedar Woods enters FY2015 with low debt, a strong balance sheet and a diverse portfolio in major growth regions in three States. The company has $139m of presales in place and a number of new projects commencing. Assuming the current level of sales activity continues, the company anticipates delivering a net profit after tax at least in line with last year's record profit. With ample funding and approvals in place, your board remains positive about the company's outlook.

In FY2014, we have continued to actively engage with the investment and broking community to raise Cedar Woods' profile and build awareness of the strength of the company's portfolio, culminating in the company's inclusion in the S&P ASX 300 index. We are pleased with the support of our existing shareholders and welcome the new institutional and retail investors onto our register, following the recent share placement.

In August 2014, the company celebrates 20 years listed on the Australian Securities Exchange, looking back on a period that has been highly rewarding for the company's shareholders and other stakeholders. We look forward to further building on the strength of the company in the years ahead.

We would like to thank our fellow directors and staff for their dedication and hard work in 2014. Thanks also go to our shareholders for their ongoing support of Cedar Woods in 2014 and in the years ahead.

William Hames
Chairman

Paul Sadleir
Managing Director

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

Project Pipeline
as at 30 June 2014

PROJECT NAME	CORRIDOR / LOCATION	PROJECT TYPE	LOTS / UNITS PROJECT	LOTS / UNITS REMAIN (As of 30/6/14)
WESTERN AUSTRALIA - PERTH				
Sutton Farm - Mandurah	South	Canal	6	4
Carine Rise - Carine	North West	Residential / Mixed Use	43	6
Emerald Park - Wellard	South West	Residential Land	627	209
Piara Central - Piara Waters	South East	Residential Land	481	358
The Brook at Byford	South East	Residential Land	367	367
Byford on the Scarp	South East	Residential Land	323	313
Mariners Cove - Mandurah	South	Canal	973	97
The Rivergums - Baldivis	South West	Residential Land	1,365	526
Harrisdale Green - Harrisdale	South East	Residential / Mixed Use	427	262
Brabham	North East	Residential Land	480	480
Waterline - Halls Head	South	Lots	9	9
Mangles Bay Marina - Rockingham	South	Marina / Tourist	TBC	TBC
North Baldivis	South West	Residential Land	850	850
Bushmead - Hazelmere	East	Residential Land	750	750
Pinjarra	South	Residential Land	920	920
WESTERN AUSTRALIA - REGIONAL				
Batavia Marina - Geraldton	Mid-West	Apartments	54	33
Elements - South Hedland	Pilbara	Residential Land	139	91
Western Edge - South Hedland	Pilbara	Residential Land	600	600
VICTORIA - MELBOURNE				
Realm - Camberwell	East	Housing	78	9
Clara	West	Residential Land	40	40
Banbury Village - Footscray	West	Apartments & Housing	431	175
Carlingford	North	Residential Land	648	185
Williams Landing	West	Residential Land & Housing	2,400	1,172
Williams Landing Town Centre	West	Retail / Mixed Use / Residential	600	600
Clayton South	South East	Apartments & Housing	250	250
St A - St Albans	North West	Housing	250	250
QUEENSLAND - BRISBANE				
Upper Kedron	West	Residential Land	> 1,000	> 1,000

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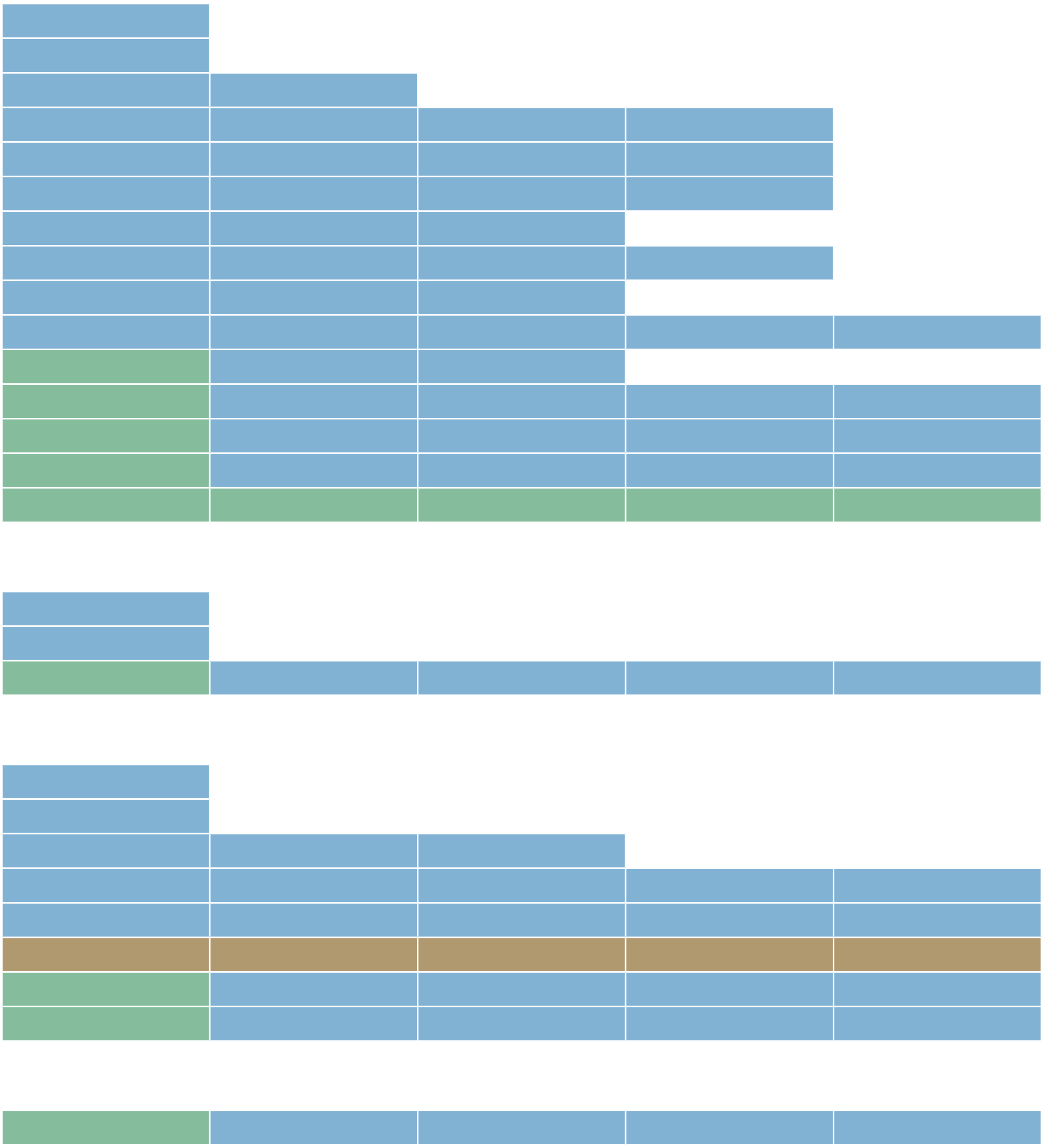
Planning & Design | Development & Sales | Leasing, Development & Sales

PROJECT LIFE

FY15 FY16 FY17 FY18 FY19



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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 2014.

a) 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, except where stated:

William George Hames (Chairman)

Robert Stanley Brown (Deputy Chairman)

Ronald Packer

Stephen Thomas Pearce (appointed on 16 May 2014)

Paul Stephen Sadleir (Managing Director)

Timothy Robert Brown (Alternate for R S Brown)

b) Principal activities

The principal continuing activities of the consolidated entity in the course of the year ended 30 June 2014 were that of property developer and investor and no significant change in the nature of those activities took place during the year.

c) Dividends

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

	2014 $'000	2013 $'000
Final fully franked ordinary dividend for the year ended 30 June 2013 of 15.0 cents (2012 - 14.0 cents) per fully paid share, paid on 30 October 2013 (2013 – 31 October 2012)	10,668	9,859
Interim fully franked ordinary dividend for the year ended 30 June 2014 of 12.0 cents (2013 – 11.0 cents) per fully paid share, paid on 30 April 2014 (2013 – 30 April 2013)	8,709	7,830
	19,377	**17,689**

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $12,142,138 (15.5 cents per share) to be paid on 31 October 2014 out of retained earnings at 30 June 2014.

d) Financial and operating review

Information on the operations and financial position of the group and its business strategies and prospects is set out in the financial and operating review, commencing on page 14 of this annual financial report.

e) Business strategies and prospects for future financial years

The consolidated entity will continue property development operations in Western Australia, Victoria and Queensland. It is planned to make further additions to the property portfolio, which may include additional property joint ventures.

Subject to market conditions continuing at current levels, the group anticipates delivering a net profit at least in line with the 2014 result, underpinned by a significant bank of presales already in place at the date of this report.

f) Significant changes in the state of affairs

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

Contributed equity increased by $32,921,000 (from $83,795,000 to $116,716,000) as a result of the institutional placement, the share purchase plan and the issue of shares under the dividend reinvestment plan and bonus share plan. Details of changes in contributed equity are set out in note A4(a) of the financial statements.

The net cash received from the issue of contributed equity was applied to debt reduction, and the group makes redraws on its debt facility to fund new acquisitions and develop new estates on existing landholdings.

g) Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2014 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.

h) Likely developments and expected results of operations

Beyond the comments at items (d) and (e), 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.

i) 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.

j) 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-four 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-six years.

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

Luiri Gold Limited.

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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 eight 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 Stephen T Pearce, BBus (ACC), Grad Dip (Admin), FCA, AGIA, MAICD

- Non-executive director
- Member of the Audit and Risk Management Committee

Mr Pearce is an independent director with almost 30 years' senior executive and directorship experience at publicly-listed companies in the resources, oil and gas, energy and utilities sectors and has significant expertise across all areas of finance and capital markets. He is currently the Chief Financial Officer of Fortescue Metals Group Ltd. Mr Pearce previously held the position of Managing Director and CEO of Southern Cross Electrical Engineering Limited and, before that, was Chief Financial Officer of Alinta Limited. He is currently non-executive Chairman of the Lions Eye Institute and was previously a member of the Salvation Army's Business and Industry Committee. He was appointed a director on 16 May 2014.

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 Bridgewater care group, one of the largest providers of residential aged care in Western Australia, a Division Councillor at the WA Division of the Australian Institute of Company Directors and a Senate member of Murdoch University.

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 twenty years in financial management in the property industry, preceded by employment in senior roles with major accountancy firms.

k) 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.

l) 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	9,778,488
Robert S Brown*	7,970,135
Ronald Packer	166,782
Stephen T Pearce	15,000
Paul S Sadleir	1,045,445
Timothy R Brown*	4,639,980

*R S Brown and T R Brown have a shared interest in 4,639,980 shares.

m) 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	R S Brown
S T Pearce	-	W G Hames

n) 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 2014, and the numbers of meetings attended by each director:

	Board Meetings	Meetings of Committees		
		Audit and Risk Management	Human Resources and Remuneration	Nominations
Number of meetings held:	10	5	3	4
W G Hames	10	*	*	4
R S Brown	9	5	3	4
R Packer	10	5	3	4
S T Pearce (1)	2	1	*	*
P S Sadleir	10	*	*	*
T Brown (alternate director)	1	-	-	-

* Not a member of this committee

(1) S T Pearce was appointed on 16 May 2014 and attended the Board and Audit and Risk Management Committee meetings for which he was eligible.

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Directors' Report:
Remuneration Report.

The directors present Cedar Woods Properties Limited's 2014 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 23-24 above and the following executive officers:

Nathan Blackburne – Victorian & Queensland State Manager

Stuart Duplock – West Australian State Manager (ceased employment with the company 14 August 2014)

Paul Freedman – Chief Financial Officer

o) 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 section *t) v – Use of Remuneration Consultants* below).

The Corporate Governance Statement provides further information on the role of this committee, and may be found on the company's website under the Investor Relations link.

p) Non-executive director remuneration policy

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter details the terms, including remuneration, relevant to the office of director. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. 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. 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.

q) Directors' fees

Non-executive directors' base remuneration was last reviewed from 1 July 2010 and again with effect from 1 July 2013.

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 (currently $500,000).

The following annual fees (inclusive of superannuation) have applied:

	2014 $	2013 $
Chair	148,000	130,000
Deputy Chair	114,000	100,000
Other non-executive directors	80,000	70,000
Committee chair	12,000	10,000

r) Executive remuneration policy and framework

Our purpose is to create long-term value for shareholders with the aim of delivering consistent annual growth in profits and dividends. Our performance measures align with our purpose. Our business model and key achievements for FY2014 are set out on page 10.

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.

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.

The Human Resources and Remuneration Committee also considers issues of succession planning, career development and staff retention.

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s) FY2014 performance measurement and assessment

Company objectives and accountability measures for key management personnel were as follows:

Objective	Measures	Outcomes
Acquisition of properties: • To enhance the portfolio	• Fit with current portfolio • Exceeds stock sold each year • Product/price/geographic diversification • Forecast to meet required hurdle rate	• Acquired one new project in each state, each with point of difference • Bolsters portfolio and strong returns forecast
Developments: • On time, on budget	• Rezonings and approvals achieved versus budget (timeframes and permitted development) • Monthly reporting of actual vs budget development costs	• Rezonings and approvals received on most projects • Some delays and cost overruns on projects but more than compensated by strong outcomes on balance of portfolio
Marketing and Sales: • Achieve premium prices and consistent sales in varying market conditions	• Monthly reporting of sales and settlements vs budget • Actual prices vs budget • Marketing spend • Customer satisfaction	• Met sales targets to ensure profit guidance was achieved • Prices generally at a premium and above budget • Positive referrals and feedback
Financial Performance and Health: • Continued growth in a risk controlled manner	• Growth in NPAT and EPS • Satisfactory ROE and ROC • Gearing (debt/equity) • Capital management • Risk management framework in place	• NPAT up 11% and EPS up 9% • ROE 15.4%, ROC 19.1% • Gearing 12.5%, marginally below bottom of target range • Successful raising funded Queensland entry • Risks identified and mitigated
People: • Committed personnel in a safe working environment	• Staff productivity • Staff development • Staff turnover • OH&S	• Key company objectives achieved • Competencies improved • Minimal turnover • OH&S systems managed and improvements underway
Shareholders and Investors: • Support the company	• Participation in share issues • Company investor relations program	• Successful capital raising • Positive feedback including external survey of institutional investors

This performance measurement framework is being further developed for financial year 2015 and will provide a closer alignment to the company's overriding objective of providing long term value to shareholders.

t) 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.

i. Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-monetary 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.

ii. Non – monetary benefits

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

iii. 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 bonus opportunities for each executive are set annually by the Human Resources and Remuneration Committee.

In FY2014, the company achieved NPAT of $40.3m which exceeded the $39m hurdle set at the beginning of the year, at which point:

- 50% of executives' incentives were available, with the actual amount paid based on individual accountabilities and performance.
- 25% of executives' incentives were awarded based on exceeding the $39m hurdle.

A further 25% was awarded by the Human Resources and Remuneration Committee based on the company meeting its earnings guidance.

The Human Resources and Remuneration Committee has the discretion to adjust STI awards in the light of personal performance and the final profit result.

iv. Long-term incentives (LTI)

The company operates a retention incentive plan, which first commenced in FY2012, for executives 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 the pre-determined profit target in the first year. In FY2014 the profit target was a minimum net profit of $39m.

In financial year 2015, it is intended that the STI and LTI awards will be based on the performance measurement framework on page 28 which encompasses a broader set of objectives than has been used in past years.

If the employee leaves the company before the vesting date no bonus is paid, although the Board may waive this restriction at its discretion, for example when an employee retires. If an employee is made redundant after the award but before the vesting date then the bonus is paid out.

In FY2014 a total of $335,750 was awarded under the retention incentive plan for executives and other staff, which will vest on 1 July 2016. The total awarded under the plan in previous years which has yet to vest is $287,000.

The company moved to a cash based incentive plan following the period of pronounced share price volatility associated with the global financial crisis and its aftermath.

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The Human Resources and Remuneration committee continues to monitor trends in the area of long term incentives, recognising that staff retention is an important issue, whilst at the same time ensuring remuneration levels are reasonable.

The operating, financial and employee measures used in awarding LTI's are the same as those used in STI awards.

v. 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 other executives and provide recommendations in relation thereto.

In FY2013 and FY2014 no remuneration consultants were utilised.

u) Details of remuneration

Details of the remuneration of each director of Cedar Woods Properties Limited and each of the other 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.

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Directors of Cedar Woods Properties Limited

2014	Short-term benefits			Post employment	Long-term benefit	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-Annuation $	Cash bonus $	Total $
W G Hames	135,469	-	-	12,531	-	148,000
R S Brown	104,348	-	-	9,652	-	114,000
R Packer	82,270	-	-	33,730	-	116,000
S T Pearce*	9,312	-	-	861	-	10,173
P S Sadleir	772,270	427,500	7,268	23,730	-	1,230,768
Total	**1,103,669**	**427,500**	**7,268**	**80,504**	**-**	**1,618,941**

* Mr Pearce was appointed on 16 May 2014.

2013	Short-term benefits			Post employment	Long-term benefit	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-Annuation $	Cash bonus $	Total $
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
Total	**1,013,795**	**380,000**	**7,199**	**66,205**	**-**	**1,467,199**

Other key management personnel

2014	Short-term benefits			Post employment	Long-term benefit	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-Annuation $	Cash bonus $	Total $
N Blackburne	362,225	100,000	12,754	17,775	40,000	532,754
P Freedman	320,000	57,000	1,236	25,000	23,750	426,986
S Duplock	305,000	42,000	1,732	25,000	-	373,732
Total	**987,225**	**199,000**	**15,722**	**67,775**	**63,750**	**1,333,472**

2013	Short-term benefits			Post employment	Long-term benefit	
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
Total	**917,060**	**200,000**	**14,530**	**57,940**	**95,000**	**1,284,530**

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AS AN ASX LISTED COMPANY

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

	2014			2013		
Name	**Fixed Remuneration %**	**At risk – STI %**	**At risk – LTI %**	**Fixed Remuneration %**	**At risk – STI %**	**At risk – LTI %**
P Sadleir	65	35	0	66	34	0
N Blackburne	73	19	8	73	19	8
P Freedman	81	13	6	82	12	6
S Duplock	89	11	0	77	15	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 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, Mr Sadleir is entitled to payment of a benefit on termination by the employer following significant restructure or takeover, equal to his total remuneration package for one year plus normal accrued entitlements.

The terms of employment for the other 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.

Notice periods for the executives other than the Managing Director do not exceed 3 months, and no other termination benefits apply other than statutory entitlements. Senior executives hold salaried positions with no fixed terms. Mr Duplock ceased employment with the company on 14 August 2014 and received a payment of $82,754 being his notice period and accrued entitlements.

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 2014 STI bonuses will be paid in FY2015 and the 2014 LTI bonuses will be paid in FY2017 if the service requirements are met.

Name	**2014 STI and LTI bonus vested %**	**2014 STI and LTI bonus forfeited %**	**2013 STI and LTI bonus vested %**	**2013 STI and LTI bonus forfeited %**
P S Sadleir	95	5	95	5
N Blackburne	100	0	100	0
P Freedman	95	5	100	0
S Duplock *	60	40	100	0

* Vesting percentages relate to STI only as S Duplock's employment ceased 14 August 2014 and no LTI accrues.

The company does not have a policy for the clawback of performance-based remuneration of key management personnel that would apply in the event of serious misconduct or a material misstatement in the group's financial statements, however it is monitoring developments in this governance area and intends to implement a policy going forward.

v) Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	2,740,384	2,532,584
Post-employment benefits	148,279	124,145
Long-term employee benefits	63,750	95,000
	2,952,413	**2,751,729**

w) 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 other key management personnel, including their personally-related parties, are set out below. There were no shares granted during the period as compensation.

2014 Name	Number of shares at the start of the year	Other changes during the year	Number of shares at the end of the year
Directors of Cedar Woods Properties Limited			
William G Hames†	9,708,448	196,958	9,905,406
Robert S Brown*	7,951,808	21,327	7,973,135
Ronald Packer	160,586	6,196	166,782
Stephen T Pearce	-	15,000	15,000
Paul S Sadleir	1,077,087	(27,558)	1,049,529
Timothy S Brown (alternate for R S Brown)	4,639,980	-	4,639,980
Other key management personnel of the consolidated entity			
Paul S Freedman	146,245	(42,626)	103,619
Nathan J Blackburne	118,770	(118,753)	17
Stuart A Duplock	5,576	(5,576)	0

2013 Name	Number of shares at the start of the year	Other changes during the year	Number of shares at the end of the year
Directors of Cedar Woods Properties Limited			
William G Hames†	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

† Includes 2,014,439 (2013 - 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 l of the directors' report which comply with the requirements of sections 608 and 609 of the *Corporations Act 2001*. The table above includes the shares held by related parties of the key management personnel.

x) Other transactions with key management personnel

The consolidated entity uses a number of firms for architectural, urban design and planning services, creative design services and settlement services. Where entities related to directors are able to fulfil the requisite criteria to provide the services at competitive rates, they may be engaged by the company to perform the services. Should entities connected with the directors be engaged, the directors declare their interests in those dealings and take no part in decisions relating to them.

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. W G Hames has no beneficial interest in Axiom Design. 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 2013 and 2014 year a donation was paid to a scholarship fund of Murdoch University, of which Mr P S Sadleir is a Senate member, with no beneficial interest. The transaction was performed on normal commercial terms and conditions.

Payments were made for sponsorship of the Warren Jones Foundation Inc. (in 2013 and 2014) and the Property Education Foundation Inc. (in 2013 only), organisations for which Mr R Packer is a trustee with no beneficial interest. 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:

	2014 $	2013 $
Amounts recognised as expense		
Creative design services	34,178	19,475
Settlement fees	66,835	98,907
Donations	2,500	2,500
Sponsorships	7,650	11,286
	111,163	132,168
Amounts recognised as inventory		
Architectural fees	187,903	129,236
	187,903	129,236
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	187,903	129,236
	187,903	129,236

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.

y) Voting and comments made at the company's 2013 Annual General Meeting (AGM)

At the company's 2013 AGM, 87.9 per cent of eligible votes cast were in favour of the remuneration report for the 2013 financial year. The company received no questions at the AGM in relation to its remuneration report.

z) Performance of Cedar Woods Properties Limited

In FY2014, the group delivered a record profit of $40.3 million, an increase of 10.9 per cent. This was the fourth 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:

Returns to shareholders over 1, 3 and 5 years (%)	1 year	3 years	5 years
Earnings per share growth	9.0	5.9	27.4
Share price growth	41.4	22.3	38.8
Dividend growth (paid dividend)	8.0	12.4	22.0
Total shareholder return (change in share price and dividends)	46.6	28.7	45.9

The total shareholder return in FY2014 was 46.6 per cent which compared favourably with the All Ordinaries total return of 17.6 per cent over the same period. Management is focussed on delivering earnings per share and dividend growth. The company share price is subject to market factors that are beyond the company's control.

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

Directors' Report (continued)

aa) Retirement, election and continuation in office of directors

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

Mr Stephen T Pearce was appointed a director on 16 May 2014. In accordance with the constitution, Mr Pearce retires as a director at the annual general meeting and, being eligible, offers himself for re-election.

bb) 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, S T Pearce, 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.

cc) 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.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in note E2 in the other information section of this report.

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*.

dd) 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 37.

ee) 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 Sadleir

P S Sadleir
Managing Director

19 August 2014

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 2014, 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.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
19 August 2014

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These financial statements are consolidated financial statements for the group consisting of Cedar Woods Properties Limited and its subsidiaries. A list of major subsidiaries is included in note C1(a).

The financial statements are presented in the Australian currency.

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

Its registered office and principal place of business is:

Ground Floor,
50 Colin Street
WEST PERTH WA 6005.

The financial statements were authorised for issue by the directors on 19 August 2014. The directors have the power to amend and reissue the financial statements.

CELEBRATING 20 YEARS
AS AN ASX LISTED COMPANY

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Revenue from operations	A1(a)		
Sale of land and buildings		195,631	161,816
Services		15,908	6,364
Other revenue		2,926	4,571
		214,465	**172,751**
Other Income	A1(b)	**166**	**1,034**
Expenses			
Cost of sales of land and buildings		(121,473)	(91,805)
Cost of providing services		(11,167)	(3,872)
Other expenses from ordinary activities:			
Project operating costs		(13,258)	(12,405)
Occupancy		(581)	(577)
Administration		(13,312)	(11,296)
Other		359	(43)
Finance costs	A1(b)	(606)	(1,661)
Share of net profit (loss) of joint ventures accounted for using the equity method	C1(d)i	973	(684)
Profit before income tax		**55,566**	**51,442**
Income tax expense	A1(c)	(15,253)	(15,105)
Profit for the year	A4(c) & A1(d)	**40,313**	**36,337**
Total comprehensive income for the year		**40,313**	**36,337**
Total comprehensive income attributable to members of Cedar Woods Properties Limited		**40,313**	**36,337**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share	A1(d)	54.4 cents	49.9 cents

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

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

Consolidated Balance Sheet

As at 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	A2(a)	8,796	3,017
Trade and other receivables	A2(b)	10,057	3,409
Inventories	A3(a)	80,895	76,009
Deferred development costs	A3(b)	134	11,037
Total current assets		**99,882**	**93,472**
Non-current assets			
Receivables	A2(b)	4,618	6,674
Inventories	A3(a)	249,698	174,864
Deferred development costs	A3(b)	8,854	3,412
Investments accounted for using the equity method	A2(d)	2,902	1,929
Available-for-sale financial assets	A2(c)	7,397	8,073
Property, plant and equipment	A3(c)	1,668	1,299
Investment properties	A3(d)	34,929	11,301
Total non-current assets		**310,066**	**207,552**
Total assets		**409,948**	**301,024**
LIABILITIES			
Current liabilities			
Trade and other payables	A2(e)	26,306	20,951
Other financial liabilities	A2(h)	34,316	11,603
Derivative financial instruments	A2(f)	644	93
Current tax liabilities		5,998	8,006
Provisions	A3(f)	6,810	6,630
Total current liabilities		**74,074**	**47,283**
Non-current liabilities			
Borrowings	A2(g)	41,398	40,779
Other financial liabilities	A2(h)	30,241	-
Deferred tax liabilities	A3(e)	2,185	3,436
Provisions	A3(f)	449	310
Derivative financial instruments	A2(f)	-	1,472
Total non-current liabilities		**74,273**	**45,997**
Total liabilities		**148,347**	**93,280**
Net assets		**261,601**	**207,744**
EQUITY			
Contributed equity	A4(a)	116,716	83,795
Reserves	A4(b)	309	496
Retained profits	A4(c)	144,576	123,453
Total equity		**261,601**	**207,744**

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

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

Consolidated	Note	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total $'000
Balance at 1 July 2012		**79,325**	**597**	**104,704**	**184,626**
Profit for the year		-	-	36,337	36,337
Total comprehensive income for the year		**-**	**-**	**36,337**	**36,337**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	A4(a)	4,470	-	-	4,470
Transfers from reserves to retained profits		-	(101)	101	-
Dividends provided for or paid	B3(b)	-	-	(17,689)	(17,689)
		4,470	(101)	(17,588)	(13,219)
Balance at 30 June 2013		**83,795**	**496**	**123,453**	**207,744**
Balance at 1 July 2013		**83,795**	**496**	**123,453**	**207,744**
Profit for the year		-	-	40,313	40,313
Total comprehensive income for the year		**-**	**-**	**40,313**	**40,313**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	A4(a)	32,921	-	-	32,921
Transfers from reserves to retained profits		-	(187)	187	-
Dividends provided for or paid	B3(b)	-	-	(19,377)	(19,377)
		32,921	(187)	(19,190)	13,544
Balance at 30 June 2014		**116,716**	**309**	**144,576**	**261,601**

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

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

Consolidated Cash Flow Statement

For the Year Ended 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		231,610	186,104
Payments to suppliers and employees (incl. GST)		(52,179)	(43,483)
Payments for land and development		(158,149)	(135,209)
Interest received		589	578
Borrowing costs paid		(5,400)	(4,179)
Income taxes paid		(18,265)	(18,586)
Net cash outflows from operating activities	A5(a)	(1,794)	(14,775)
Cash flows from investing activities			
Proceeds from sale of investment properties		-	1,205
Proceeds from sale of property, plant and equipment		3	5
Repayments of loan by Cedar Woods Wellard Limited		6,000	3,500
Advance of loan to BCM Apartment Trust		(1,855)	-
Payments for investment properties		(9,781)	(10,265)
Payments for property, plant and equipment		(699)	(388)
Net cash outflows from investing activities		(6,332)	(5,943)
Cash flows from financing activities			
Proceeds from borrowings		600	36,572
Proceeds from share placement		25,030	-
Proceeds from share purchase plan		5,036	-
Payment of share issue expenses		(822)	-
Dividends paid	B3(b)	(15,939)	(13,203)
Net cash inflows from financing activities		13,905	23,369
Net increase in cash and cash equivalents		5,779	2,651
Cash and cash equivalents at the beginning of the year		3,017	366
Cash and cash equivalents at the end of the year	A2(a)	**8,796**	**3,017**

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

CELEBRATING 20 YEARS
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Notes to the Financial Statements

These are the consolidated financial statements of Cedar Woods Properties Limited and its subsidiaries. A list of major subsidiaries is included in note C1.

The financial statements are presented in the Australian currency.

The notes are set out in the following main sections:

A How the numbers are calculated:

Provides a breakdown of those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the group, or where there have been significant changes that required specific explanations; the section further explains what accounting policies have been applied to determine these line items and how the amounts were affected by significant estimates and judgements made in calculating the final numbers.

B Financial risks:

Discusses the group's exposure to various financial risks, explain how these affect the group's financial position and performance and what the group does to manage these risks.

C Group structure:

Explains significant aspects of the group structure and how changes have affected the financial position and performance of the group.

D Unrecognised items:

Provides information about items that are not recognised in the financial statements, but could potentially have a significant impact on the group's financial position and performance.

E Other information:

Information that is not immediately related to individual line items in the financial statements, such as related party transactions, share based payments and a full list of the accounting policies applied by the entity.

F Declaration and independent auditor's report

Contains the director's declaration and the independent auditor's report.

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

Section A: How the Numbers are Calculated

This section provides a breakdown of those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the group, or where there have been significant changes that required specific explanations, what accounting policies have been applied to determine these line items and how the amounts were affected by significant estimates and judgements made in calculating the final numbers.

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A1. Profit or Loss Information

a) Revenue

	Note	Consolidated 2014 $'000	2013 $'000
From operations			
Sales revenue	i.		
Sale of land and buildings		195,631	161,816
Services		15,908	6,364
		211,539	**168,180**
Other revenue	i.		
Interest		1,631	4,235
Lease income		1,295	336
		2,926	**4,571**
Total revenue		**214,465**	**172,751**

i. Recognition of revenue from operations

See note E4(c) for the recognition and measurement of revenue

b) Other income and expense items

This note provides a breakdown of the items included in other income and certain expenses by nature.

	Note	Consolidated 2014 $'000	2013 $'000
Other income	i.		
Net gain on disposal of investment properties		-	382
Sundry income		166	652
		166	**1,034**

i. Other income

See note E4(c) for the recognition and measurement of other income

Profit before income tax expense includes the following specific expenses:

	Note	Consolidated 2014 $'000	2013 $'000
Finance costs			
Interest and finance charges		5,458	4,325
Calculated using effective interest method		1,330	609
Unrealised financial instrument gains		(920)	(600)
Less: amount capitalised	ii.	(5,262)	(2,673)
Finance costs expensed		**606**	**1,661**

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

	Consolidated 2014 $'000	2013 $'000
Net loss on disposal of property, plant and equipment	43	79
Rental expense relating to operating leases		
Minimum lease payments	664	740
Other provisions		
Employee benefits	255	306
Customer rebates	2,450	2,713
Superannuation funds – defined contribution	704	583
Depreciation of property, plant and equipment	282	246
Depreciation of investment property	314	-
Employee benefits expense	9,697	8,268
Write down of assets / (reversal of provision)		
Available for sale financial assets	676	-
Inventory	-	43
Reversal of provision for impairment of loan to Cedar Woods Wellard Limited	(1,035)	-

ii. Capitalised borrowing costs

Where qualifying assets have been financed by the entity's corporate facility, the capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's corporate facility during the year, in this case 6.09% (2013 – 7.18%) per annum. Where qualifying assets are financed by specific facilities, the applicable borrowing costs of those facilities are capitalised.

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

c) Income tax

This note provides an analysis of the group's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

i. Income tax expense

	Notes	Consolidated 2014 $'000	2013 $'000
Current tax		17,421	15,398
Deferred tax		(1,004)	247
Adjustments for current tax of prior periods		(1,164)	(540)
Income tax expense attributable to profit		**15,253**	**15,105**
Deferred income tax expense (revenue) included in income tax expense comprises:			
(Increase) in deferred tax assets	A3(e)	(143)	(241)
(Decrease) increase in deferred tax liabilities	A3(e)	(861)	488
		(1,004)	**247**

ii. Numerical reconciliation of income tax expense to prima facie tax payable

	2014 $'000	2013 $'000
Profit before income tax	55,566	51,442
Tax at the Australian tax rate of 30% (2013 – 30%)	16,670	15,433
Tax effect of amounts which are not deductible in calculating taxable income:		
- Share of net (profit) loss of joint venture	(292)	205
- Sundry items	39	7
	(253)	212
Adjustments for current tax of prior periods:		
- Research and development	(1,164)	(463)
- Sundry items	-	(77)
	(1,164)	(540)
Income tax expense	15,253	15,105

d) Earnings per share

	2014	2013
Basic earnings per share (cents)	54.4	49.9
Diluted earnings per share (cents)	54.4	49.9
Net profit attributable to the ordinary owners of the company ($'000)	40,313	36,337
Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share and diluted earnings per share	74,150,376	72,813,872

A2. Financial Assets and Financial Liabilities

This note provides information about the group's financial instruments, including:

i. Specific information about each type of financial instrument

ii. Accounting policies

iii. Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved

The group holds the following financial instruments:

Financial Assets	**Notes**	**Available for sale**	**Investments accounted for using the equity method**	**Financial assets at amortised cost**	**Total**
2014		**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	A2(a)	-	-	8,796	8,796
Trade and other receivables*	A2(b)	-	-	12,425	12,425
Share in joint venture	A2(d)	-	2,902	-	2,902
Available-for-sale financial assets	A2(c)	7,397	-	-	7,397
Total		**7,397**	**2,902**	**21,221**	**31,520**
2013					
Cash and cash equivalents	A2(a)	-	-	3,017	3,017
Trade and other receivables*	A2(b)	-	-	8,622	8,622
Share in joint venture	A2(d)	-	1,929	-	1,929
Available-for-sale financial assets	A2(c)	8,073	-	-	8,073
Total		**8,073**	**1,929**	**11,639**	**21,641**

*Excluding prepayments

Financial Liabilities	**Notes**	**Derivatives used for hedging**	**Liabilities at amortised cost**	**Total**
2014		**$'000**	**$'000**	**$'000**
Trade and other payables	A2(e)	-	26,306	26,306
Borrowings	A2(g)	-	41,398	41,398
Derivative financial instruments	A2(f)	644	-	644
Other financial liabilities	A2(h)	-	64,557	64,557
Total		**644**	**132,261**	**132,905**
2013				
Trade and other payables	A2(e)	-	20,951	20,951
Borrowings	A2(g)	-	40,779	40,779
Derivative financial instruments	A2(f)	1,565	-	1,565
Other financial liabilities	A2(h)	-	11,603	11,603
Total		**1,565**	**73,333**	**74,898**

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a) Cash and cash equivalents

	Consolidated	
	2014 $'000	2013 $'000
Cash at bank and in hand	8,796	3,017
	8,796	3,017

The above figure reconciles to the amount of cash shown in the statement of cash flows at the end of the year.

Cash at bank includes cash held in day to day bank transaction accounts and deposit accounts earning interest from 0 to 2.8% (2013: 0 – 2.75%) per annum depending on the balances.

The Group's exposure to interest rate risk is discussed in note B2. Financial risk management. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

b) Trade and other receivables

		Consolidated	
	Notes	2014 $'000	2013 $'000
Current			
Trade receivables	i & ii	7,759	1,470
Other receivables	i & ii	48	478
Prepayments		2,250	1,461
		10,057	3,409
Non-Current			
Loans – employee share scheme	E3	34	40
Loan to BCM Apartment Trust	iv	1,974	-
Loan to Cedar Woods Wellard Limited	iii	2,610	7,669
Provision for impairment on loan to Cedar Woods Wellard Limited		-	(1,035)
		4,618	6,674

i. Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The group's impairment and other accounting policies for trade and other receivables are outlined in note E4(k).

ii. Current trade and other receivables

Current trade and other receivables include interest and non-interest bearing receivables (see B2. Financial risk management). 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 2014 (2013 – $nil).

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

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

iii. Loan to Cedar Woods Wellard Limited

A mezzanine loan facility has been provided to the joint venture entity, Cedar Woods Wellard Limited. The loan has been assessed for impairment and a provision of $nil (2013: $1,035,000) recorded.

iv. Loan to BCM Apartment Trust

In February 2014, a mezzanine finance facility was provided by Cedar Woods Properties Limited to BCM Apartment Trust. The interest rate on the facility is 22.5% per annum.

c) Available-for-sale financial assets

	Consolidated 2014 $'000	2013 $'000
Unlisted securities		
Special unit in unit trust	7,397	8,073

i. Unlisted securities

Refer to B2. Financial risk management 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 the BCM Apartment Trust (BCM), on 30 March 2012. The ordinary units are disclosed as an interest in joint venture in note A2(d) and the 1 special unit (class B) is disclosed as an available-for-sale financial asset above.

ii. Non-current assets pledged as security

Refer to note A2(g) for information on non-current assets pledged as security by the parent entity or its controlled entities.

d) Investments accounted for using the equity method

	Consolidated 2014 $'000	2013 $'000
Unlisted securities		
Shares in joint ventures	2,902	1,929

i. Cedar Woods Wellard Limited

The consolidated entity owns a 32.5% (2013: 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia. See note C1(b).

ii. BCM Apartment Trust

The consolidated entity owns 100 ordinary units for $1 each (a 50% interest in the ordinary units) in the BCM Apartment Trust. The consolidated entity's interests in the ordinary units do not entitle it to a share of the revenue, profit/loss and net assets of BCM. Refer to note A2(c) for details.

The consolidated entity also owns 10 ordinary shares for $1 each (a 50% interest) in Champion Bay Nominees Pty Ltd, the trustee of BCM.

e) Trade and other payables

	Consolidated 2014 $'000	2013 $'000
Trade payables	11,992	9,145
Accruals	11,731	11,353
GST payable	2,381	449
Other payables	202	4
	26,306	20,951

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature.

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f) Derivative financial instruments

	Consolidated	
	2014 $'000	**2013 $'000**
Current liabilities		
Interest rate swap contracts	644	93
Non-current liabilities		
Interest rate swap contracts	-	1,472
	644	1,565

i. 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 4.44% per annum (2013 – 4.82% 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 2014 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 5.5% - 6.0% per annum (2013 - 4.06% - 6.0% per annum). Swaps currently in place cover approximately 72% (2013 – 98%) of the variable loans outstanding at balance date, with terms expiring in 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.

g) Borrowings

	Consolidated	
	2014 $'000	**2013 $'000**
Bank loans – secured	41,687	41,087
Facility fees capitalised (amortised over the period of facility)	(1,285)	(1,125)
Amortisation of facility fees	996	817
	41,398	40,779

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

i. Security for borrowings

All of the consolidated entity's assets are pledged as security for the group's finance facilities.

Bank loans of $20,843,601 provided by ANZ Bank (2013 - $20,543,601) and $20,843,601 provided by Commonwealth Bank trading as Bankwest (2013 - $20,543,601) are secured by first registered mortgages over some of the consolidated entity's land holdings, and first registered charges, guarantees and indemnities provided by Cedar Woods Properties Limited and applicable subsidiary entities. Cedar Woods Properties Limited has provided first registered charges over its assets and undertakings in relation to the corporate loan facility (see below).

ii. Financing arrangements

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

	Consolidated	
	2014 $'000	2013 $'000
Bank facilities		
Total facilities (loan and guarantees)	135,000	110,000
Used at balance date	54,307	52,498
Unused at balance date	80,693	57,502

The consolidated entity has total finance facilities of $135,000,000, with $67,500,000 each provided by ANZ Bank and Commonwealth Bank trading as Bankwest. The facilities expire on 30 November 2016. 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 $15,000,000 (2013 - $14,000,000) subject to similar terms and conditions, which were drawn to a total amount of $12,620,000 at 30 June 2014 (2013 - $11,411,000). The interest on the corporate loan facilities is variable and at 30 June 2014 was an average rate of 4.44% per annum (2013 – 4.82%).

Details of the group's exposure to risk arising from current and non-current borrowings are set out in note B2 Financial risk management.

h) Other financial liabilities

	Consolidated	
	2014 $'000	2013 $'000
Current		
Due to vendors of properties under contracts of sale	34,316	11,603
	34,316	11,603
Non-Current		
Due to vendors of properties under contract of sale	30,241	-
	30,241	-

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A3. Non-Financial Assets and Liabilities

a) Inventories

i. Current assets pledged as security

	Consolidated 2014 $'000	Consolidated 2013 $'000
Current		
Property held for resale		
- land at cost	23,570	24,157
- at valuation 30 June 1992	327	287
- capitalised development costs	56,998	51,565
	80,895	76,009

Refer to note A2(g) for information on current assets pledged as security by the parent entity or its controlled entities.

ii. Non-current assets pledged as security

	Consolidated 2014 $'000	Consolidated 2013 $'000
Non-Current		
Property held for resale		
- land at cost	200,370	122,699
- at valuation 30 June 1992	226	552
- capitalised development costs	44,069	46,643
- at net realisable value	5,033	4,970
	249,698	174,864

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

Refer to note A2(g) for information on non-current assets pledged as security by the parent entity or its controlled entities.

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Total Inventory			
Current inventory	i	80,895	76,009
Non-current inventory	ii	249,698	174,864
Aggregate carrying amount		330,593	250,873

b) Deferred development costs

	Consolidated 2014 $'000	Consolidated 2013 $'000
Current		
Deferred development costs	134	11,037
	134	11,037
Non-Current		
Deferred development costs	8,854	3,412
	8,854	3,412

c) Property, plant and equipment

	Consolidated 2014 $'000	Consolidated 2013 $'000
Plant and Equipment at Cost		
At start of the year	2,850	2,598
Additions	699	389
Assets disposed	(63)	(137)
At end of the year	3,486	2,850
Accumulated depreciation on Plant and Equipment		
At start of the year	1,551	1,357
Charge for year	282	246
Assets disposed	(15)	(52)
At end of the year	1,818	1,551
Net book value	**1,668**	**1,299**

Non-current assets pledged as security

Refer to note A2(g) for information on non-current assets pledged as security by the parent entity or its controlled entities.

d) Investment properties

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Non-current assets – at cost			
Opening balance at the start of the year		11,301	-
Capitalised expenditure		9,781	10,265
Transfer from inventory		14,161	1,036
Depreciation		(314)	-
Closing balance at the end of the year		34,929	11,301
Represented by:			
Property under construction	i	18,405	11,301
Completed investment property		16,524	-
Closing balance at the end of the year		34,929	11,301

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i. Investments properties under construction

For investment properties that are under construction at 30 June 2014; depreciation has not yet commenced.

ii. Amounts recognised in profit or loss for investment properties

	Consolidated	
	2014 $'000	**2013 $'000**
Rental income	769	-
Direct operating expenses from property that generated rental income	17	-
Direct operating expenses from property that did not generate rental income	-	-

iii. Measuring investment property at fair value

Investment properties include both completed developments and property that was under construction at the year end. Management considers the fair value of the investment property under construction at 30 June 2014 equates to cost.

The fair value of the completed investment property is $28.2m exclusive of GST, based on a recent independent valuation by CBRE Valuations Pty Ltd.

iv. Leasing arrangements

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

	Consolidated	
	2014 $'000	**2013 $'000**
Within one year	2,171	1,127
Later than one year but not later than 5 years	9,356	9,087
Later than 5 years	44,501	49,610
	56,028	59,824

v. Non-current assets pledged as security

Refer to note A2(g) for information on non-current assets pledged as security by the parent entity or its controlled entities.

e) Deferred tax

i. Assets

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Provision for customer rebates		1,774	1,755
Employee benefits		772	644
Borrowing Costs		640	387
Inventory		507	-
Change in value of derivative financial instruments		193	532
Provision for impairment on loan to joint venture		-	311
Other		30	32
Amounts recognised directly in equity			
Share issue expenses		314	179
Total deferred tax assets		4,230	3,840
Set-off of deferred tax assets pursuant to set-off provisions		(4,230)	(3,840)
Net deferred tax assets		-	-
Deferred tax assets at the start of the year		3,840	3,594
Increase in deferred tax assets (credited) to income tax expense	A1(c)	143	241
Increase in deferred tax assets (credited) to equity	A4(a)	247	5
Deferred tax assets at the end of the year		4,230	3,840
Deferred tax assets expected to be recovered within 12 months		2,984	2,721
Deferred tax assets expected to be recovered after more than 12 months		1,246	1,119
		4,230	3,840

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ii. Liabilities

		Consolidated	
	Notes	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Deferred development costs		2,694	3,209
Borrowing costs		2,606	2,933
Research and development		469	-
Interest receivable		361	564
Prepaid commissions		115	328
Other		33	30
		6,278	7,064
Amounts recognised directly in equity			
Revaluation reserve		137	212
Total deferred tax liabilities		6,415	7,276
Set off of deferred tax assets pursuant to set-off provisions		(4,230)	(3,840)
Net deferred tax liabilities		2,185	3,436
Deferred tax liabilities at the start of the year		7,276	6,788
(Decrease) increase in deferred tax liabilities (credited) debited to income tax expense	A1(c)	(861)	488
Deferred tax liabilities at the end of the year		6,415	7,276
Deferred tax liabilities expected to be settled within 12 months		1,509	4,295
Deferred tax liabilities expected to be settled after more than 12 months		4,906	2,981
		6,415	7,276

f) Provisions

	Consolidated 2014 $'000	2013 $'000
Current		
Employee benefits	893	777
Dividends	3	2
Customer rebates	5,914	5,851
	6,810	6,630

i. Movements in Current Provisions

	Consolidated 2014 $'000	2013 $'000
Carrying amount at start of year	5,851	4,451
Charged to profit or loss	2,450	2,713
Payments	(2,387)	(1,313)
Carrying amount at end of year	5,914	5,851

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.

	Consolidated 2014 $'000	2013 $'000
Non-current		
Employee benefits	893	310
Carrying amount at end of year	449	310

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A4. Equity

a) Movement in ordinary share capital

	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Start of the year	**73,359,551**	**72,189,514**	**83,795**	**79,325**
Shares issued pursuant to the dividend reinvestment plan:				
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)
Ordinary shares issued on 31 October 2013 at $6.95	324,751	-	2,257	-
Ordinary shares issued on 30 April 2014 at $7.21	162,834	-	1,174	-
Transaction costs arising on share issues	-	-	(11)	-
Share issued pursuant to the bonus share plan:				
Ordinary shares issued on 31 October 2012	-	63,688	-	-
Ordinary shares issued on 30 April 2013	-	39,841	-	-
Ordinary shares issued on 31 October 2013	48,381	-	-	-
Ordinary shares issued on 30 April 2014	19,327	-	-	-
Share issued pursuant to the capital raising:				
Ordinary shares issued under institutional placement on 13 May 2014	3,680,941	-	25,030	-
Shares issued under shareholder purchase plan on 18 June 2014	740,586	-	5,036	-
Transaction costs arising on share issues	-	-	(565)	-
	4,976,820	1,170,037	32,921	4,470
End of the year	**78,336,371**	**73,359,551**	**116,716**	**83,795**

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.

i. Dividend reinvestment plan

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 being paid in cash. Shares may be issued under the plan at a discount to the market price, at the discretion of the Directors.

ii. Bonus share plan

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.

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b) Reserves

The following table shows a breakdown of the balance sheet item 'reserves' and the movement in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Composition			
a) Asset revaluation reserve (pre 1992)		309	496
		309	496
Movements			
a) Asset revaluation reserve			
Balance at the beginning of the year		496	597
Transfer to retained profits	A4(c)	(187)	(101)
Balance at the end of the year		309	496

The asset revaluation reserve was used until 1992 to record increments and decrements on the revaluation of non-current assets. Refer to note E4(g).

c) Retained profits

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Retained profits at the start of the year		123,453	104,704
Net profit attributable to members of Cedar Woods Properties Limited		40,313	36,337
Transfers from reserves	A4(b)	187	101
Dividends provided for or paid	B3(b)	(19,377)	(17,689)
Retained profits at the end of the year		144,576	123,453

A5. Cash Flow Information

a) Reconciliation of profit after income tax to net cash outflows from operating activities

	Consolidated	
	2014 $'000	2013 $'000
Profit after income tax	40,313	36,337
Depreciation	596	246
Loss on sale of non-current assets	43	79
Gain on sale of investment properties	-	(382)
Reversal of provision for impairment of loan to Cedar Woods Wellard Limited	(1,035)	-
Fair value gain on derivative financial instrument	(920)	(600)
Accrued interest on receivables	(1,060)	(1,675)
Share of (profit) loss in equity accounted investment	(973)	684
Changes in operating assets and liabilities		
Increase in provisions for employee benefits	255	306
Increase in provisions	64	1,400
Increase in inventories	(79,720)	(42,577)
Transfer from inventories to investment properties	(14,162)	(1,036)
Decrease (increase) in other deferred development costs	5,461	(6,946)
Decrease (increase) in available-for-sale financial assets	676	(1,883)
Increase in deferred tax assets	(143)	(241)
(Decrease) in current income tax payable	(2,008)	(3,728)
(Decrease) increase in deferred tax liability	(861)	488
Decrease in capitalised borrowing costs	19	3
Increase in debtors	(6,648)	(631)
Increase in creditors	5,355	4,772
Increase in other financial liabilities	52,954	609
Net cash outflows from operating activities	**(1,794)**	**(14,775)**

Section B: Financial Risks

This section of the notes discusses the group's exposure to various risks and shows how these could affect the group's financial position and performance.

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B1. Critical Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and judgements turning out to be wrong. Detailed information about each of these estimates and judgements is presented below.

a) Significant 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.

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 including future development costs. This requires judgement as to the future cash flows likely to be generated from the properties included in inventory, including in some cases, judgement regarding the likelihood and timing of obtaining development approvals. If the approvals are not received when anticipated the recoverable amount of inventory may be substantially impaired. Refer also to note E4(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.

B2. Financial Risk Management

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The group's activities expose it to a variety of financial risks:

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate risk	Long term borrowings at variable rates	Cash flow forecasting Sensitivity analysis	Interest rate swaps
Credit risk	Cash and cash equivalents, trade and other receivables, available-for-sale financial assets and derivative financial instruments	Ageing analysis Credit ratings Management of deposits	Ongoing checks by management Contractual arrangements
Liquidity risk	Borrowings and other liabilities	Forecast and actual cash flows	Flexibility in funding arrangements

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:

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	8,796	3,017
Trade and other receivables	14,675	10,083
Available-for-sale financial assets	7,397	8,073
	30,868	21,173
Financial liabilities		
Trade and other payables	26,306	20,951
Other financial liabilities	64,557	11,603
Borrowings	41,398	40,779
Derivative financial instruments	644	1,565
	132,905	74,898

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.

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The group has issued a loan to Cedar Woods Wellard Limited that bears an interest rate of 16% (2013 – 16%). The group has also issued a loan to the BCM Apartment Trust that bears an interest rate of 22.5%. 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 2014 to 2 June 2015.

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.

iii. *Instruments used by the group*

Interest rate swap contracts effectively fix interest rates applicable to bank bills issued with a duration of 1 month (BBSY Bid) at certain levels between 5.5% - 6.0% (2013 - 4.06% - 6.0%) per annum. Swaps currently in place cover 72% (2013 - 98%) of the variable loan outstanding at balance date, with terms expiring in 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 72% of the bank loan at balance sheet date because the balance of the loan was $41,687,000 (2013 - $41,087,000), 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.

	2014			2013		
	Interest bearing - variable $'000	Non-interest bearing $'000	Total $'000	Interest bearing - variable $'000	Non-interest bearing $'000	Total $'000
Receivables						
Other receivables	-	10,057	10,057	-	3,409	3,409
Employee share loans	-	34	34	-	40	40
Loan to BCM Apartment Trust	1,974	-	1,974	-	-	-
Loan to joint venture	2,610	-	2,610	7,669	-	7,669
	4,584	10,091	14,675	7,669	3,449	11,118

The weighted average interest rate is 18.8% (2013: 16%)

	2014			2013		
	Interest bearing - fixed $'000	Interest bearing - variable $'000	Total $'000	Interest bearing - fixed $'000	Interest bearing - variable $'000	Total $'000
Interest bearing liabilities						
Bank loans	-	41,687	41,687	-	41,087	41,087
Other financial liabilities	64,557	-	64,557	11,603	-	11,603
	64,557	41,687	106,244	11,603	41,087	52,690

The weighted average interest rate is 4.44% (2013: 4.82%)

An analysis by maturity is provided in B2(c) below.

iv. 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 equity.

The potential impact on financials assets is not significant. Refer to comments above for further information on the impact of changes in interest rates upon the group.

b) Credit risk

The consolidated entity has minimal exposure to credit risk as title to lots or units in the consolidated entity's developments does not generally pass to customers until funds are received. In limited circumstances title is allowed to pass on certain lot sales in return for a substantial deposit and security held by way of a registered mortgage on the title. In other limited 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 may arise in relation to bank guarantees given to certain parties. 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 joint venture in note A2(d) and the 1 special unit (class B) is disclosed as an available-for-sale financial asset in note A2(c). 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 BCM Apartment Trust, the terms of the loan provide that the loan takes priority over payment of any return to the special units (class B and class C) and entitlement to a second mortgage over land held by BCM Apartment Trust.

In relation to the loan to Cedar Woods Wellard Limited as set out in note A2(b), the company has secured the loan by way of a second mortgage over land held by Cedar Woods Wellard Limited and a second ranked 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 $14,301,745 (2013 - $24,120,000) and the balance of the first ranked bank loan is $4,468,000 (2013 - $5,320,000), 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 2014 the group had undrawn committed facilities of $80,690,000 (2013 - $57,500,000) and cash of $8,796,000 (2013 - $3,017,000) to cover short term funding requirements.

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i. Maturities of financial liabilities

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

Group – at 30 June 2014	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives					
Non-interest bearing	26,306	-	-	26,306	26,306
Fixed rate	35,042	-	39,000	74,042	64,557
Variable rate	-	-	47,213	47,213	41,687
Derivatives	644	-	-	644	644
Total	**61,992**	**-**	**86,213**	**148,205**	**133,194**

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
Non-derivatives					
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
Derivatives	999	600	-	1,598	1,565
Total	**34,010**	**600**	**47,065**	**81,674**	**75,663**

d) Fair value measurement

This note provides information on the judgements and estimates made by the group in determining the fair values of the financial instruments.

i. Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013:

As at 30 June 2014	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets					
Derivatives used for hedging	A2(f)	-	644	-	644
Available-for-sale financial assets	A2(c)	-	-	7,397	7,397
Total assets		**-**	**644**	**7,397**	**8,041**

As at 30 June 2013	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets					
Derivatives used for hedging	A2(f)	-	1,565	-	1,565
Available-for-sale financial assets	A2(c)	-	-	8,073	8,073
Total assets		**-**	**1,565**	**8,073**	**9,638**

ii. Valuation techniques used to determine fair values

Level 1 – The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for the financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2 – The fair value of financial instruments that are not traded in an active market (such as derivatives provided by trading banks) is determined using market valuations provided by those banks at reporting date. These instruments are included in level 2.

Level 3 – If one or more of the significant inputs is not based on observable market data, the instruments is included in level 3. This is the case for unlisted equity securities (classified as available-for-sale financial assets in the balance sheet). The unlisted equity securities provide a fixed return and the fair value of the securities is determined based on management's estimate of the period over which the return will be received and the performance of the issuer entity.

iii. Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the year ended 30 June 2014:

	Available For sale $'000	Total $'000
Opening balance 30 June 2013	**8,073**	**8,073**
Decrease	(676)	(676)
Closing balance 30 June 2014	**7,397**	**7,397**

The reduction in fair value of the equity securities in the table above reflects the extended period over which the return is now expected to be received.

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B3. Capital Management Objectives and Gearing

a) Capital management objectives and gearing

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 were as follows:

	Note	2014 $'000	2013 $'000
Total interest bearing bank debt	A2(g)	41,687	41,087
Less: cash and cash equivalents	A2(a)	(8,796)	(3,017)
Net debt		32,891	38,070
Shareholders' equity		261,601	207,744
Gearing ratio		**12.6%**	**18.3%**

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.

i. Loan Covenants

Under the terms of the major borrowing facilities, the group has complied with covenants throughout the reporting period. Key covenants include requirements in relation to a maximum loan to valuation ratio and a minimum interest cover ratio.

b) Dividends

i. Ordinary shares

	Consolidated	
	2014 $'000	**2013 $'000**
Fully franked based on tax paid at 30%		
Final dividend for the year ended 30 June 2013 of 15.0 cents (2012 – 14.0 cents) per fully paid share		
- Paid in cash	8,407	6,773
- Satisfied by shares under the dividend reinvestment plan	2,258	3,083
- Applied to the employee share loans	3	3
Interim dividend for the year ended 30 June 2014 of 12.0 cents (2013 – 11.0 cents) per fully paid share		
- Paid in cash	7,532	6,430
- Satisfied by shares under the dividend reinvestment plan	1,174	1,398
- Applied to the employee share loans	3	2
Total	19,377	17,689

ii. Dividends not recognised at the year end

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 15.5 cents per fully paid ordinary share (2013 – 15 cents), fully franked based on the tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 October 2014 out of retained profits at 30 June 2014, but not recognised as a liability at year end is below:

	Consolidated	
	2014 $'000	**2013 $'000**
Dividends not recognised at year end	12,142	11,004

iii. Franked Dividends

The franked portions of the final dividend proposed at 30 June 2014 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

	Consolidated	
	2014 $'000	**2013 $'000**
Franking credits available for the subsequent financial year on a tax-paid basis of 30% (2013 – 30%)	57,458	50,979

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 $5,204,000 (2013 - $4,716,000).

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Section C: Group Structure

This section provides information which will help users understand how the group structure affects the financial position and performance of the group as a whole.

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a) Subsidiaries 73

b) Interests in joint ventures 74

c) Commitments and contingent liabilities in respect of the joint ventures 74

d) Summarised financial information for Cedar Woods Wellard Limited 75

C1. Interests in Other Entities

a) Subsidiaries

The group's subsidiaries at 30 June 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group and the proportion of ownership interest held equals the voting rights held by the group. The subsidiaries are incorporated or established in Australia.

The consolidated financial statements incorporate the assets, liabilities and results in accordance with the accounting policy described in note E4(b).

Company	Equity Holding	
	2014	2013
Cranford Pty Ltd	100%	100%
Daleford Property Pty Ltd	100%	100%
Dunland Property Pty Ltd	100%	100%
Esplanade (Mandurah) Pty Ltd	100%	100%
Eucalypt Property Pty Ltd	100%	100%
Flametree Property Pty Ltd	100%	100%
Gaythorne Pty Ltd	100%	100%
Galaway Holdings Pty Ltd	100%	100%
Geographe Property Pty Ltd	100%	100%
Huntsman Property Pty Ltd	100%	-
Jarrah Property Pty Ltd	100%	100%
Kayea Property Pty Ltd	100%	100%
Lonnegal Property Pty Ltd	100%	100%
Osprey Property Pty Ltd	100%	100%
Silhouette Property Pty Ltd	100%	100%
Terra Property Pty Ltd	100%	100%
Upside Property Pty Ltd	100%	100%
Vintage Property Pty Ltd	100%	100%
Woodbrooke Property Pty Ltd	100%	100%
Yonder Property Pty Ltd	100%	100%
Zamia Property Pty Ltd	100%	100%
Cedar Woods Properties Harrisdale Pty Ltd	100%	100%
Cedar Woods Properties Investments Pty Ltd	100%	100%
Cedar Woods Properties Management Pty Ltd	100%	100%
Cedar Woods Property Sales Pty Ltd	100%	100%
Williams Landing Town Centre Pty Ltd	100%	100%
Williams Landing Home Improvement Pty Ltd	100%	100%
Williams Landing Home Improvement Trust	100%	100%
Williams Landing Shopping Centre Pty Ltd	100%	-
Williams Landing Shopping Centre Trust	100%	-

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b) Interests in joint ventures

Set out below are the joint ventures of the group as at 30 June 2014. The country of incorporation and principal place of business is Australia for both entities.

Name of entity	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
	2014 %	2013 %			2014 $'000	2013 $'000
Carine Joint Venture	50	50	Joint Operation	Share of assets, liabilities, income and expenses	1,554	4,110
Cedar Woods Wellard Limited	32.5	32.5	Joint Venture	Equity method	2,902	1,929

The carrying amount represents the amount attributable to the group.

Carine Joint Venture (CJV) is a joint venture 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 revenue and assets. The consolidated entities interest in the assets employed in the CJV are included in the balance sheet in accordance with the accounting policy described in note E4(b).

Cedar Woods Wellard Limited is developing the Emerald Park residential estate at Wellard, WA.

The consolidated entity owns 100 ordinary units for $1 each (a 50% interest in the ordinary units) in the BCM Apartment Trust, which owns the Batavia Coast Marina Apartments project in Geraldton. The consolidated entity's interest in the ordinary units does not entitle it to a share of the revenue, profit/loss or net assets of BCM. Refer to note A2(c) for details.

The consolidated entity also owns 10 ordinary shares for $1 each (a 50% interest) in Champion Bay Nominees Pty Ltd, the trustee of BCM.

c) Commitments and contingent liabilities in respect of the joint ventures

Carine Joint Venture has no commitments for expenditure or contingent liabilities at 30 June 2014 (2013: nil).

Cedar Woods Wellard Limited has no commitment for expenditure at 30 June 2014 (2013: nil) and provided $102,766 (2013: $66,919) bank guarantees to various local authorities supporting development and maintenance commitments.

d) Summarised financial information for Cedar Woods Wellard Limited

The following table provides summarised financial information for those joint ventures that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Cedar Woods Properties Limited's share of those amounts.

Cedar Woods Wellard Limited	2014 $'000	2013 $'000
Current assets		
Cash	3,316	961
Other current assets	6,093	11,812
Total current assets	**9,409**	**12,773**
Total non-current assets	**10,351**	**11,153**
Total assets	**19,760**	**23,926**
Total current liabilities	**1,871**	**16,007**
Non-current liabilities	**6,975**	**-**
Total liabilities	**8,846**	**16,007**
Net assets	**10,914**	**7,919**
Group's share in %	32.5%	32.5%
Group's share in $	3,547	2,574

i. Movements in carrying amounts – Cedar Woods Wellard Limited

	2014 $'000	2013 $'000
At start of the year	1,929	2,613
Share of profit / (losses) after income tax	973	(684)
At end of the year	2,902	1,929
Share of profit / (loss) before income tax	369	(327)
Income tax benefit / (expense)	604	(357)
Share of profit / (loss) after income tax	973	(684)
Share of joint venture's revenue, assets, liabilities and contingent liabilities		
Revenue	6,080	7,303
Assets	6,422	7,776
Liabilities	(2,875)	(5,202)
Contingent liabilities (bank guarantees)	(33)	(22)

The consolidated entity owns a 32.5% (2013 – 32.5%) interest in Cedar Woods Wellard Limited, a property development company incorporated in Australia.

The directors have determined that they do not control Cedar Woods Wellard Limited as no one investor can direct the activities without the co-operation of the others.

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Section D: Unrecognised Items

This section of the notes provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria.

D1. Contingent liabilities **77**

D2. Commitments **78**

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D1. Contingent Liabilities

At 30 June 2014 the group had contingent liabilities in respect of:

a) Bank Guarantees

At 30 June 2014 bank guarantees totalling $12,620,000 (2013 - $11,411,000) had been provided to various state and local authorities supporting development and maintenance commitments.

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D2. Commitments

a) Non-cancellable operating leases

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	
	2014 $'000	2013 $'000
Within 1 year	692	842
Later than 1 year but not later than 5 years	1,151	1,878
	1,843	2,720

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 2014 the consolidated entity had commitments under civil works, building construction and landscaping construction for development of its projects in the ordinary course of business. The total amount contracted for work yet to be completed for civil works was $12,079,000 (2013 - $19,461,000), for building construction was $26,810,000 (2013 - $20,808,000) and for landscaping construction was $3,069,000 (2013 - $3,537,000). This work will be substantially completed in the next 12 months.

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Section E: Other Information

Section E contains information that is not immediately related to individual line items in the financial statements, such as related party transactions, share based payments and a full list of the accounting policies applied by the entity.

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E1. Related Party Transactions

a) Key management personnel compensation

Additional disclosures relating to key management personnel are set out in the Directors' Report.

	Consolidated	
	2014 $	**2013 $**
Short-term employee benefits	2,740,384	2,532,584
Post-employment benefits	148,279	124,145
Long-term employee benefits	63,750	95,000
	2,952,413	2,751,729

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 C1.

c) Parent entity

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

d) Transactions with other related parties

Cedar Woods Properties Management Pty Ltd and Cedar Woods Property Sales derived management and selling fees totalling $1,749,173 (2013 - $2,101,285) from Cedar Woods Wellard Limited.

e) 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.

f) Guarantees

Cedar Woods Properties Limited has provided a performance guarantee in respect of the bank facility provided to Cedar Woods Wellard Limited (CWWL), a joint venture entity owned 32.5% (2013 – 32.5%) by the group. The guarantee has been given in relation to performance undertakings given by CWWL. No amount (2013 – 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% (2013 – 16%-17%).

g) 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:

	2014 $	**2013 $**
Current receivables (sales of goods and services)		
Cedar Woods Wellard Limited	2,060	1,425
	2,060	1,425

h) Loans to related parties

Loan to Cedar Woods Wellard Limited	**2014 $**	**2013 $**
Beginning of the year	7,668,823	9,493,741
Loan repayments received	(6,000,000)	(3,500,000)
Interest charged	941,331	1,675,082
End of year	2,610,154	7,668,823

E2. Remuneration of Auditors

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

PricewaterhouseCoopers – Australian firm	**2014 $**	**2013 $**
Assurance services		
- Audit and review of the financial statements of the parent entity, controlled entities and co-development projects	176,929	172,383
Non-audit services		
- Accounting advisory services	-	8,000
- Research and development advice	259,209	66,257
- Other taxation advice and reviews	63,900	22,600
Total fees for non-audit services	323,109	96,857
	500,038	269,240

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

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. These assignments relate to accounting advice, tax advice and reviews, research and development advice and other advice. All non-audit services are reviewed and approved by the Audit and Risk Management Committee to ensure they do not adversely impact the independence and objectivity of the auditor.

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E3. 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 2014, $34,000 (2013 - $40,000) remained outstanding from employees in relation to loans granted in financial years prior to 2010. No amounts were due from former employees.

E4. Summary of 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 years 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.

i. 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).

ii. 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.

iii. 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 B1.

iv. 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

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Cedar Woods Properties Limited (parent) as at 30 June 2014 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.

ii. Joint arrangements

Joint arrangements – Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The consolidated entity has both joint operations and joint ventures.

Joint operations – The consolidated entity recognises its direct right to assets, liabilities, revenues and expenses of joint operations, which have been incorporated in the financial statements under the appropriate headings.

Joint ventures – Interest in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated balance sheet. Details of the joint ventures are set out in note C1(b).

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iii. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income.

c) Revenue recognition

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:

i. Sale of land and buildings

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

ii. 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.

iii. Dividends

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

iv. Lease income

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

v. 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, if any.

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**

i. Basic 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.

ii. Diluted earnings per share

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**

i. 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.

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.

i. 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.

ii. 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.

iii. 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 in the balance sheet where it meets the relevant criteria.

o) Employee benefits

i. 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.

ii. 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.

iii. 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.

iv. 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.

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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.

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. 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**

i. 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. 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.

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

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2013:

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*

AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 cycle*, and

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

The adoption of AASB 10, AASB 13 and AASB 119 explained and summarised below. The other standards only affected the disclosures in the notes to the financial statements.

i. Consolidated financial statements and joint arrangements

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB127 *Consolidated and Separate Financial Statements* and in interpretation *112 Consolidation – Special Purpose Entities*.

The group has reviewed its investment in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

AASB 11 *Joint Arrangements*, 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. The groups accounting for its interest in joint ventures was not affected by the adoption of the new standard since the group had already applied the equity method in accounting for these interests.

AASB 12 *Disclosure of Interests in Other Entities*, 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 groups investments.

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ii. Fair value measurement

AASB 13 *Fair Value Measurement* aims to provide consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on transfer value to a third party market participant.

The group currently has few assets measured at fair value and therefore the adoption of this standard has not had any material impact on the financial statements.

iii. Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* changed the accounting for the group's annual leave obligations. Where the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into short term and long term portion. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

iv. New accounting standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	Nature of change	Impact	Mandatory application date / Date of adoption by group
AASB 9 *Financial Instruments*	AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	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 as the new requirements only affects the accounting for assets or liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.	Must be applied for financial years commencing on or after 1 January 2017. The group is considering the introduction of hedge accounting for derivatives and may adopt AASB 9 before its operative date.

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.

bb) 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.

E5. 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.

E6. Parent Entity Financial Information

The financial information for the parent entity, Cedar Woods Properties Limited, has been prepared on the same basis as the consolidated financial statements, except as detailed in notes (i) and (ii) below.

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

	2014 $'000	2013 $'000
Balance sheet		
Current assets	53,893	38,435
Total assets	301,445	241,570
Current liabilities	(61,687)	(46,680)
Total liabilities	(103,530)	(89,240)
Net assets	197,915	152,330
Shareholders' equity		
Issued capital	116,716	83,795
Retained earnings	81,199	68,535
	197,915	152,330
Profit for the year	32,040	27,584
Total comprehensive income	32,040	27,584

i. *Investments in subsidiaries and joint venture entities*

Investments in subsidiaries 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 joint ventures 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 standalone 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.

Section F: Declaration and Independent Auditor's Report

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F1. Directors' Declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 39 to 92 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 2014 and of its performance for the financial year ended on that date; and

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

Note E4(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

P Sadleir

P S Sadleir
Managing Director

Perth, Western Australia
19 August 2014

F2. Independent Auditor's Report to the members of Cedar Woods Properties Limited

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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 2014, the statement of profit or 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 Cedar Woods Properties Limited (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 E4, 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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CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

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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 2014 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 E4.

Report on the Remuneration Report

We have audited the remuneration report included in pages 26 to 35 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
19 August 2014

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Section G: Shareholders' Information

This section provides information for shareholders on distributions and other shareholder benefits, the composition of the share register and past financial performance.

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G1. Investors' Summary

a) Dividend and dividend policy

The dividend policy is to distribute approximately 50% of the full year net profit after tax. The final dividend for the 2014 financial year is 15.5 cents per share, fully franked. The dividend will be paid on 31 October 2014.

b) 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 or dwelling 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.

c) 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.

d) Dividend re-investment plan and Bonus share plan

The dividend re-investment plan and bonus share plan are operated from time to time as part of measures to manage the group's capital. Shareholders can change their participation status in the plans by completing an election form in accordance with the rules of each plan. The dividend re-investment plan and bonus share plan have been suspended for the final dividend for the 2014 financial year.

e) Shareholders' timetable

Dividend announcement	20 August 2014
Share register closes for dividend (Record date)	3 October 2014
Final dividend payment date	31 October 2014
First quarter update	October 2014
Annual General Meeting	10 November 2014
Half-year result announcement	February 2015
Interim dividend payment date	30 April 2015
Third quarter update	May 2015
Full year result and dividend announcement	August 2015

f) Shareholder Information

The shareholder information set out below was applicable at 31 August 2014.

i) Distribution of ordinary shares

	Number of holders	Number of shares
1 – 1,000	782	336,636
1,001 – 5,000	1,133	2,882,037
5,001 – 10,000	362	2,634,516
10,001 – 100,000	407	10,380,766
100,000 and over	57	62,102,416
	2,741	78,336,371

There were 154 holders of less than a marketable parcel of shares.

ii) Twenty largest shareholders of ordinary shares

	Number of shares	Percentage of shares
National Nominees Limited	8,184,801	10.45
JP Morgan Nominees Australia Limited	7,090,024	9.05
Hamsha Nominees Pty Ltd	6,285,957	8.02
HSBC Custody Nominees (Australia) Limited	5,833,980	7.45
Westland Group Holdings Pty Ltd	4,639,980	5.92
Zero Nominees Pty Ltd	4,119,503	5.26
Australian Foundation Investments Company Limited	4,060,216	5.18
Australian Executor Trustees Limited	2,802,231	3.58
Beach Corporation Pty Ltd	2,772,159	3.54
Helen Kaye Poynton	1,677,095	2.14
Citicorp Nominees Pty Ltd	1,437,957	1.84
HSBC Custody Nominees (Australia) Limited (NT - Commonwealth Super Corp A/C)	1,336,799	1.71
BNP Paribas Noms Pty Ltd	1,129,249	1.44
Mr Paul Sadleir	1,045,445	1.33
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	752,698	0.96
ESA Securities Pty Ltd	680,221	0.87
Netwealth Investments Limited	657,544	0.84
Leblon Holdings Pty Ltd	654,024	0.83
R S & J P Brown Super Fund A/C	554,996	0.71
Ramneg Pty Ltd	537,031	0.69
	56,251,910	71.81

CELEBRATING 20 YEARS AS AN ASX LISTED COMPANY

iii) Substantial shareholders of ordinary shares

As disclosed in substantial shareholder notices lodged with the ASX at 31 August 2014.

	Number of shares	Percentage of shares [1]
William George Hames and related entities	9,314,668	12.90
Robert Stanley Brown and related entities	7,967,627	10.87
Westoz Funds Management Pty Ltd	4,493,661	6.13
Acorn Capital Limited	4,174,479	5.33
Westpac Banking Corporation	4,054,462	5.18
Australian Foundation Investment Company Limited	3,371,170	5.80
Invesco Australia Limited	3,210,743	5.29

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

iv) 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.

G2. Five Year Financial Performance

All figures in $'000 except where stated

Financial Year	2014	2013	2012	2011	2010
Financial Performance					
Revenue from operations	214,465	172,751	170,474	131,839	108,415
Earnings before interest and tax	56,172	53,022	53,092	42,106	26,771
Finance costs	606	1,580	3,819	1,866	2,036
Operating profit before tax	55,566	51,442	49,273	40,240	24,735
Income tax expense	15,253	15,105	15,023	12,180	7,494
Net profit after tax	40,313	36,337	34,250	28,060	17,241
Financial Position					
Total assets	409,948	301,024	238,314	233,595	205,657
Total liabilities	148,347	93,280	53,688	104,046	96,867
Shareholders' equity	261,601	207,744	184,626	129,549	108,790
Number of shares on issue – end of year ('000)	78,336	73,360	72,190	61,818	60,565
Key Performance Measures					
Earnings per share (cents)	54.4	49.9	53.2	45.8	29.0
Dividend per share, fully franked	27.5	26.0	25.0	23.0	13.0
EBIT Margin	26.2%	30.7%	31.1%	31.9%	24.7%
Interest cover (times)	10.4	12.6	8.8	9.1	6.4
Return on Equity	15.4%	17.5%	18.6%	21.7%	15.8%
Investment in inventory during year	158,149	145,474	97,401	102,348	56,338
Net tangible assets backing per share ($)	3.34	2.83	2.56	2.10	1.80
Net bank debt	32,602	37,762	3,822	55,100	39,716
Net bank debt to equity	12.5%	18.2%	2.1%	42.5%	36.5%
Share price – end of year ($)	7.31	5.17	3.56	4.00	2.45
Stock Market capitalisation at 30 June	572,639	379,269	256,995	247,272	148,383
Number of employees at 30 June	56	54	48	41	35

Returns to shareholders over 1, 3, & 5 years	1 Year	3 Year	5 Year
Earnings growth %	9.0	5.9	27.4
Share price growth %	41.4	22.3	38.8
Dividend growth % (paid dividend)	8.0	12.4	22.0
Total shareholder return %	46.6	28.7	45.9

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